

SOUTHERN CALIFORNIA ASSOCIATION of GOVERNMENTS



Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2004

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Comprehensive Annual Financial Report

June 30, 2004

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Introductory Section

SOUTHERN CALIFORNIA



**ASSOCIATION of
GOVERNMENTS**

Main Office

818 West Seventh Street
12th Floor
Los Angeles, California
90017-3435

t (213) 236-1800
f (213) 236-1825

www.scag.ca.gov

Officers: President: Councilmember Ron Roberts,
Temecula • First Vice President: Supervisor Hank
Kuiper, Imperial County • Second Vice President:
Mayor Toni Young, Port Hueneme • Immediate
Past President: Councilmember Bev Perry, Brea

Imperial County: Hank Kuiper, Imperial County •
Jo Shields, Brawley

Los Angeles County: Yvonne Brathwaite Burke,
Los Angeles County • Zev Yaroslavsky, Los Angeles
County • Jim Aldinger, Manhattan Beach • Harry
Aldwin, San Gabriel • Paul Bowlen, Cerritos •
Tony Cardenas, Los Angeles • Margaret Clark,
Rosemead • Gene Daniels, Paramount • Mike
Dispenza, Palmdale • Judy Dunlap, Inglewood •
Rae Gabellich, Long Beach • Eric Garceuil, Los
Angeles • Wendy Greuel, Los Angeles • Frank
Hurule, Cudahy • James Hahn, Los Angeles •
Janice Hahn, Los Angeles • Isadore Hall, Compton
• Tom LaBonge, Los Angeles • Martin Ludlow, Los
Angeles • Keith McCarthy, Downey • Llewellyn
Miller, Claremont • Cindy Miskowski, Los
Angeles • Paul Nowatka, Torrance • Pam
O'Connor, Santa Monica • Alex Padilla, Los
Angeles • Bernard Parks, Los Angeles • Jan Perry,
Los Angeles • Beatrice Proo, Pico Rivera • Ed
Reyes, Los Angeles • Greig Smith, Los Angeles •
Dick Stanford, Azusa • Tom Sykes, Walnut • Paul
Talbot, Alhambra • Sidney Tyler, Pasadena • Tonia
Reyes Uranga, Long Beach • Antonio Villaraigosa,
Los Angeles • Dennis Washburn, Calabasas • Jack
Weiss, Los Angeles • Bob Yousefian, Glendale •
Dennis Zine, Los Angeles

Orange County: Chris Norby, Orange County •
Lou Bone, Tustin • Art Brown, Buena Park •
Richard Chavez, Anaheim • Debbie Cook,
Huntington Beach • Cathryn DeYoung, Laguna
Hill • Richard Dixon, Lake Forest • Alta Duke, La
Palma • Bev Perry, Brea • Marilyn Poe, Los
Alamitos • Tod Ridgeway, Newport Beach

Riverside County: Marion Ashley, Riverside
County • Thomas Buckley, Lake Elsinore • Bonnie
Pickinger, Moreno Valley • Ron Loveridge,
Riverside • Greg Pettis, Cathedral City • Ron
Roberts, Temecula

San Bernardino County: Paul Biane, San
Bernardino County • Bill Alexander, Rancho
Lucamanga • Edward Burgnon, Town of Apple
Valley • Lawrence Dale, Barstow • Lee Ann Garcia,
Grand Terrace • Susan Longville, San Bernardino •
Gary Oviatt, Ontario • Deborah Robertson, Rialto

Ventura County: Judy Mikels, Ventura County •
Allen Becerra, Simi Valley • Carl Morehouse, San
Juan Bautista • Toni Young, Port Hueneme

Orange County Transportation Authority:
Charles Smith, Orange County

Riverside County Transportation Commission:
Robin Lowe, Hemet

Ventura County Transportation Commission: Bill
Davis, Simi Valley

The Honorable President and
Members of the Regional Council
Southern California Association of Governments
818 West Seventh Street, 12th Floor
Los Angeles, CA 90017

Introductory Section

We hereby submit the Comprehensive Annual Financial Report (CAFR) of the Southern California Association of Governments (SCAG) for the fiscal year ended June 30, 2004.

This introductory section of the CAFR provides general information of the SCAG's structure and its personnel, as well as information useful in assessing SCAG's financial condition. This section includes the:

- Letter of Transmittal
- SCAG's Organizational Chart and List of Principal Officials
- Organizational Chart for SCAG's Finance Department.

This report consists of management's representations concerning the finances of the Southern California Association of Governments. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of SCAG has established a comprehensive internal control framework that is designed both to protect SCAG's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of SCAG's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, SCAG's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

SCAG's basic financial statements have been audited by KPMG LLP, an international public accounting firm fully licensed and qualified to perform audits of the state and local governments within the State of California. The goal of the independent audit was to provide reasonable assurance that the financial statements of SCAG, for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Southern California Association of Governments financial statements for the fiscal year ended June 30, 2004 are fairly

presented in conformity with accounting principles generally accepted in the United States of America. The independent auditors' report is presented as the first component of the fiscal section of this report.

The independent audit of the financial statements of SCAG was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit presentation of the financial statements also require evaluation of the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. These reports are available in SCAG's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. SCAG's MD&A can be found immediately following the report of the independent auditors in the financial section of the CAFR.

Profile of the Southern California Association of Governments. SCAG is the largest regional planning agency in the nation, functioning as the Metropolitan Planning Organization for six counties. SCAG represents:

Imperial, Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties

- 187 Cities
- 38,000 square miles
- 17 million people
- 10th largest economy in the world.

At SCAG, city and county governments throughout Southern California come together to develop solutions to common problems in transportation, housing, air quality, waste management, and other issues. SCAG also acts as an information clearinghouse, providing cities and counties a wide array of demographics, forecasting, mapping, and other regional statistics and data.

Decision making occurs through SCAG's Regional Council, a governing body composed of 76 city- and county-elected officials and transportation commissioners. SCAG's policy-making process is guided by the work of three policy committees (Transportation and Communications; Community, Economic and Human Development; Energy and Environment), and its operations are governed by the Administration Committee.

SCAG operates via a number of critical partnerships at the local, state, and federal levels. In addition to its federal and state funding partners (Federal Highway Administration, Federal Transit Administration, Federal Aviation Administration, Federal Railroad Administration, California Department of Transportation, and the like), SCAG's planning efforts are also closely coordinated with 14 subregions and 6 county transportation commissions (CTCs).

SCAG's Mission Statement is:

Leadership, vision, and progress, which promote economic growth, personal well-being, and livable communities for all Southern Californians.

SCAG develops long-term solutions for regional challenges such as transportation, air quality, housing, growth, hazardous waste, and water quality. Since these issues cross city and county boundaries, SCAG works with cities, counties, and public agencies in the six-county region to develop plans and strategies that will:

- Enable the efficient movement of people, goods, and information
- Enhance economic growth and international trade
- Improve the environment and quality of life for all residents.

SCAG also is responsible for managing state-mandated programs such as the Regional Housing Needs Assessment. Furthermore, the agency acts as an information clearinghouse, providing mapping, forecasting, and regional statistics and data.

SCAG prepares the Regional Transportation Plan (RTP), a comprehensive 20-year transportation plan that provides a vision for the future of our multimodal transportation system and specifies how we can achieve that vision. The 2004 RTP identifies major challenges as well as potential opportunities associated with growth, transportation finances, the future of airports in the region, and impending transportation system deficiencies that could result from unprecedented growth projections for the region. SCAG also completes the Regional Transportation Improvement Program (RTIP). The RTIP identifies transportation capital projects proposed for the region over a six-year period and is the primary instrument for funding and, in turn, implementing transportation projects identified in the RTP.

The annual financial plan serves as the foundation for SCAG's financial planning and control. SCAG adopts an annual budget by July 1 of each fiscal year consisting of the General Fund and the Overall Work Program (OWP). The OWP includes the budgets for direct labor, other direct expenses, fringe benefits, and indirect cost and also requires concurrence from the federal and state funding agencies. These budgets are adopted and presented for reporting purposes on a basis consistent with generally accepted accounting principles.

The level of appropriated budgetary control is the total OWP and General Fund budgets which are defined as the SCAG's total budget for all funds and include all approved revisions and amendments. Supplemental appropriations during the year must be approved by the Regional Council and funding agencies. Unexpended or unencumbered appropriations lapse at the end of the fiscal year and may be reappropriated in the ensuing year's budget by action of the Regional Council and the funding agencies. SCAG utilizes an encumbrance system whereby commitments such as purchase orders and unperformed contracts are recorded as commitments.

Budgets to actual comparisons are provided in this report for Federal Highway Administration (FHWA) and Federal Transit Administration (FTA) major individual funds for which an appropriated annual budget has been adopted. This comparison, beginning on page 45, is presented as part of the supplemental combining financial statements.

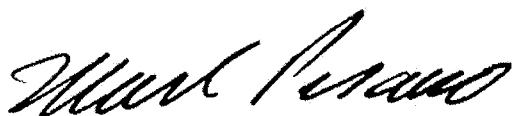
The listing of the Regional Council officials is found on page 5. The organization chart for SCAG is found on page 8 and the organization for the Finance Department is found on page 9.

In the prior fiscal year, SCAG adopted GASB 34, as amended by GASB 37 and GASB 38. Since this will be the second year of presenting the CAFR in accordance with these pronouncements, there will be comparisons between the current and prior year in the MD&A.

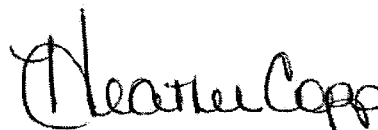
The preparation of the Comprehensive Annual Financial Report and Single Audit was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contribution made in the preparation of this report.

In closing, we are also grateful for the leadership and support of the Regional Council of SCAG throughout the entire year.

Sincerely,



Mark A. Pisano
Executive Director



Heather Copp
Chief Financial Officer

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

The Southern California Association of Governments (SCAG) region includes 6 counties, 187 cities, 38,000 square miles, and a population of over 17 million people. SCAG is the nation's largest Council of Governments. It is officially designated as the region's Metropolitan Planning Organization. SCAG is legally mandated to prepare comprehensive plans for air, water quality, housing allocation, strategic growth, and transportation. There are 76 seats on the SCAG Regional Council. The following is a listing of members as of September 30, 2004:

Regional Council Officers And Members

| | |
|--|--|
| President | Honorable Ron Roberts, Councilmember City of Temecula |
| First Vice President | Honorable Hank Kuiper, Supervisor County of Imperial |
| Second Vice President | Honorable Toni Young, Mayor City of Port Hueneme |
| Past President | Honorable Bev Perry, Councilmember, City of Brea |
| Honorable Jim Aldinger, Councilmember | City of Manhattan Beach |
| Honorable Bill Alexander, Mayor | City of Rancho Cucamonga |
| Honorable Marian Ashley, Supervisor | County of Riverside |
| Honorable Harry Baldwin, Councilmember | City of San Gabriel |
| Honorable Glen Becerra, Councilmember | City of Simi Valley |
| Honorable Paul Biane, Supervisor | County of San Bernardino |
| Honorable Paul Bowlen, Councilmember | City of Cerritos |
| Honorable Lou Bone, Mayor Pro-Tem | City of Tustin |
| Honorable Art Brown, Councilmember | City of Buena Park |
| Honorable Thomas Buckley, Councilmember | City of Lake Elsinore |
| Honorable Edward Burgnon, Councilmember | Town of Apple Valley |
| Honorable Yvonne Braithwaite-Burke, Supervisor | County of Los Angeles |
| Honorable Tony Cardenas, Councilmember | City of Los Angeles |
| Honorable Richard Chavez, Councilmember | City of Anaheim |
| Honorable Margaret Clark, Councilmember | City of Rosemead |
| Honorable Debbie Cook, Councilmember | City of Huntington Beach |
| Honorable Lawrence Dale, Councilmember | City of Barstow |
| Honorable Gene Daniels, Councilmember | City of Paramount |
| Honorable Cathryn DeYoung, Councilmember | City of Laguna Niguel |
| Honorable Mike Dispenza, Councilmember | City of Palmdale |
| Honorable Richard Dixon, Councilmember | City of Lake Forest |
| Honorable Alta Duke, Councilmember | City of La Palma |
| Honorable Judy Dunlap, Councilmember | City of Inglewood |
| Honorable Bonnie Flickinger, Councilmember | City of Moreno Valley |
| Honorable Eric Garcetti, Councilmember | City of Los Angeles |
| Honorable Rae Gabelich, Councilmember | City of Long Beach |
| Honorable Lee Ann Garcia, Councilmember | City of Grand Terrace |
| Honorable Wendy Gruel, Councilmember | City of Los Angeles |

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

| | |
|---|---------------------------|
| Honorable Frank Gurule, Councilmember | City of Cudahy |
| Honorable James Hahn, Mayor | City of Los Angeles |
| Honorable Janice Hahn, Councilmember | City of Los Angeles |
| Honorable Isadore Hall, Councilmember | City of Compton |
| Honorable Sandra Jacobs, Mayor Pro Tem | City of El Segundo |
| Honorable Tom LaBonge, Councilmember | City of Los Angeles |
| Honorable Susan Longville, Councilmember | City of San Bernardino |
| Honorable Ron Loveridge, Mayor | City of Riverside |
| Honorable Martin Ludlow, Councilmember | City of Los Angeles |
| Honorable Keith McCarthy, Councilmember | City of Downey |
| Honorable Llewellyn Miller, Councilmember | City of Claremont |
| Honorable Judy Mikels, Supervisor | County of Ventura |
| Honorable Cindy Miscikowski, Councilmember | City of Los Angeles |
| Honorable Chris Norby, Supervisor | County of Orange |
| Honorable Carl Morehouse, Councilmember | City of San Buena Ventura |
| Honorable Paul Nowatka, Councilmember | City of Torrance |
| Honorable Pam O'Connor, Councilmember | City of Santa Monica |
| Honorable Gary Ovitt, Mayor | City of Ontario |
| Honorable Alex Padilla, Councilmember | City of Los Angeles |
| Honorable Bernard Parks, Councilmember | City of Los Angeles |
| Honorable Jan Perry, Councilmember | City of Los Angeles |
| Honorable Greg Pettis, Councilmember | City of Cathedral City |
| Honorable Marilyn Poe, Councilmember | City of Los Alamitos |
| Honorable Beatrice Proo, Councilmember | City of Pico Rivera |
| Honorable Ed Reyes, Councilmember | City of Los Angeles |
| Honorable Tod Ridgeway, Councilmember | City of Newport Beach |
| Honorable Deborah Robertson, Councilmember | City of Rialto |
| Honorable Jo Shields, Councilmember | City of Brawley |
| Honorable Greig Smith, Councilmember | City of Los Angeles |
| Honorable Dick Stanford, Councilmember | City of Azusa |
| Honorable Tom Sykes, Councilmember | City of Walnut |
| Honorable Paul Talbot, Councilmember | City of Alhambra |
| Honorable Sidney Tyler, Jr. Vice Mayor | City of Pasadena |
| Honorable Tonia Reyes Uranga, Councilmember | City of Long Beach |
| Honorable Antonio Villariagosa, Councilmember | City of Los Angeles |
| Honorable Dennis Washburn, Mayor Pro Tem | City of Calabasas |
| Honorable Jack Weiss, Councilmember | City of Los Angeles |
| Honorable Zev Yaroslavsky, Supervisor | County of Los Angeles |
| Honorable Bob Yousefian, Councilmember | City of Glendale |
| Honorable Dennis Zine, Councilmember | City of Los Angeles |

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

County Transportation Commission Representatives

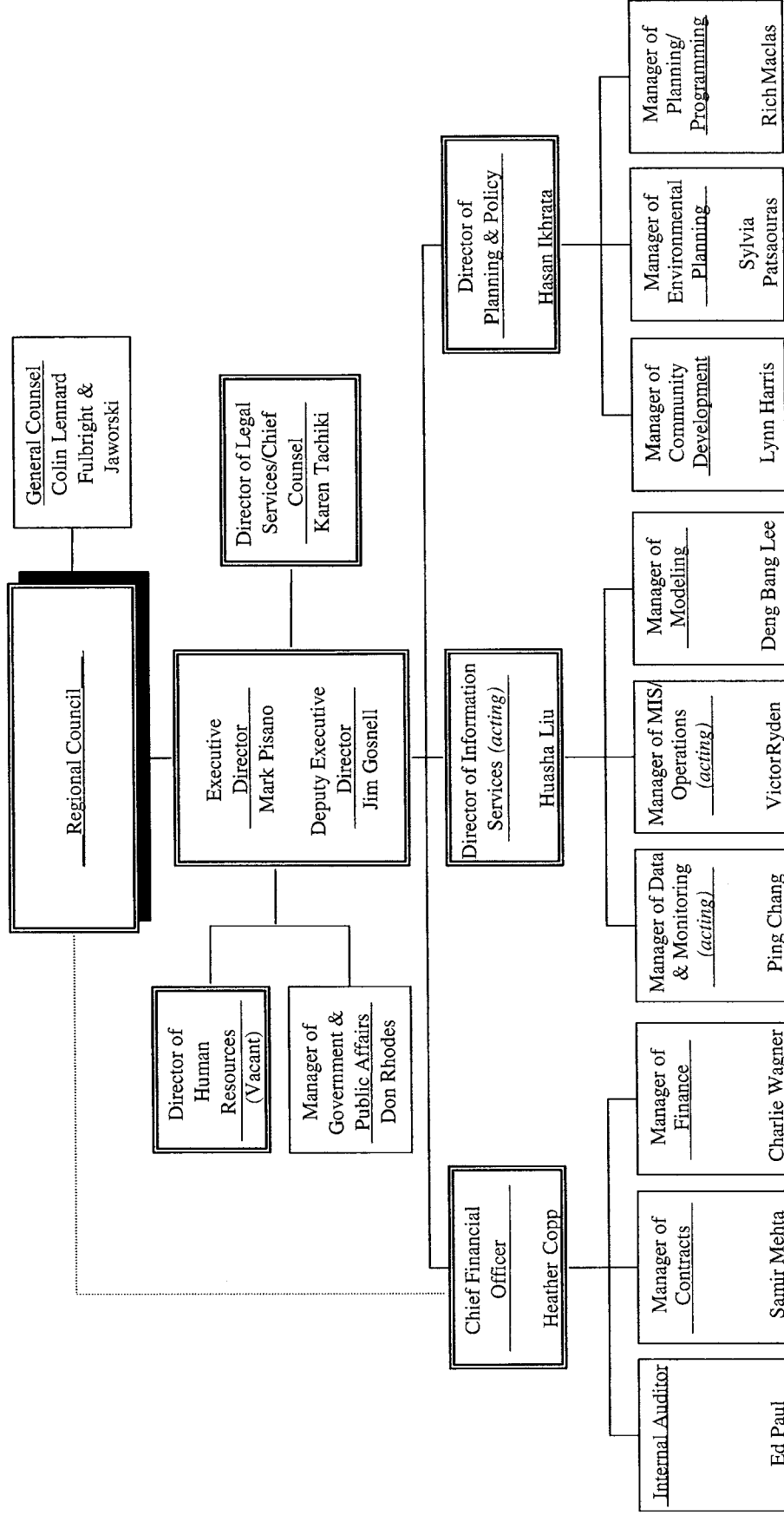
Honorable Bill Davis, Mayor, City of Simi Valley
Ventura County Transportation Commission

Honorable Robin Lowe, Vice Mayor, City of Hemet
Riverside County Transportation Commission

Honorable Charles Smith, Supervisor, County of Orange
Orange County Transportation Commission

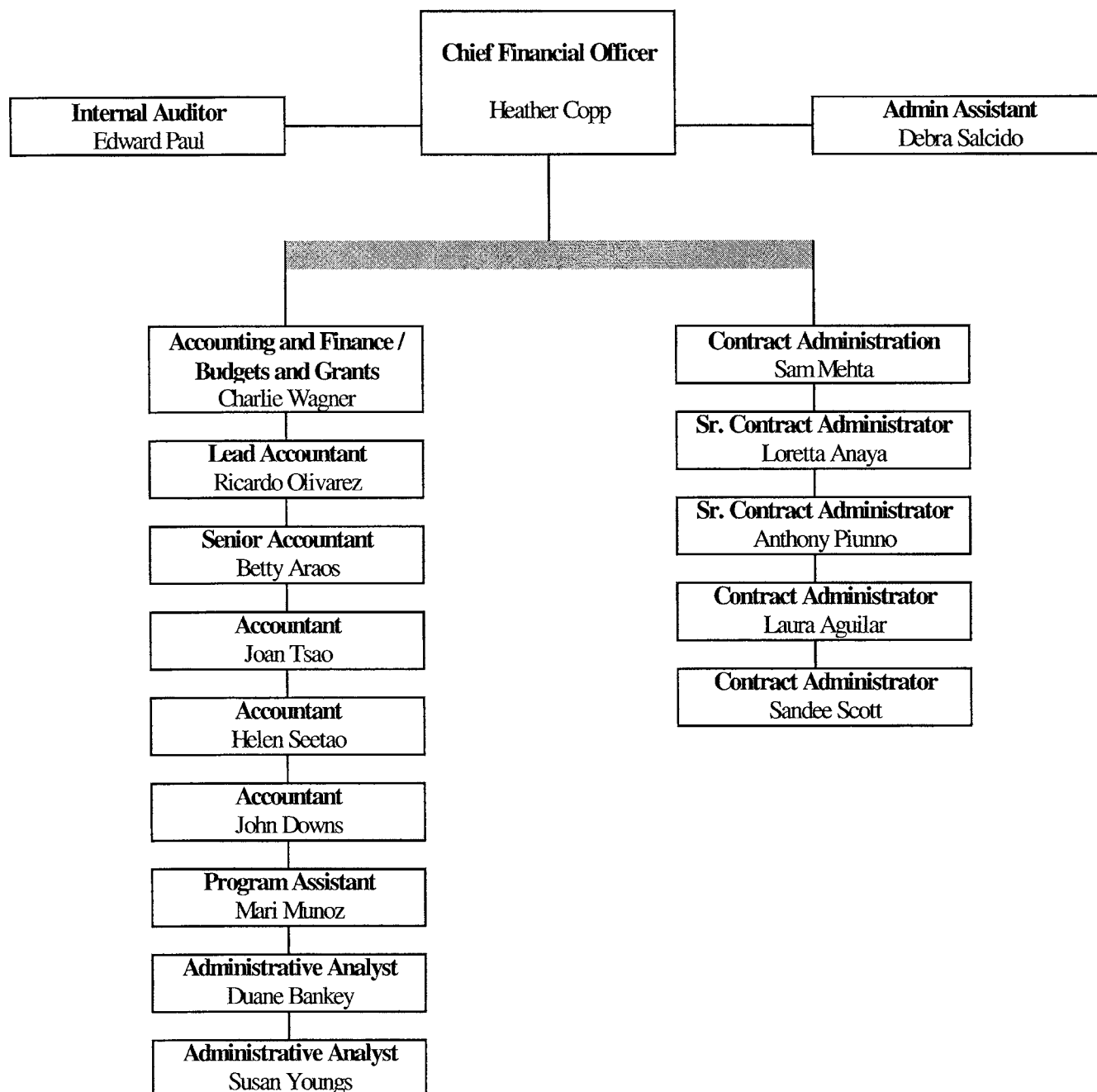
SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Organizational Chart



SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Finance Department



Financial Section



KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Independent Auditors' Report

The Honorable Members of the Regional Council
Southern California Association of Governments
Los Angeles, California:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern California Association of Governments as of and for the year ended June 30, 2004, which collectively comprise the Southern California Association of Government's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Southern California Association of Governments' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern California Association of Governments as of June 30, 2004, and the respective change in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report, dated September 30, 2004, on our consideration of the Southern California Association of Governments' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 12 through 24 and the required supplementary information on page 42 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied

certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southern California Association of Government's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, supplemental schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such combining and individual financial statements and supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

KPMG LLP

September 30, 2004

Management's Discussion and Analysis

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Management's Discussion and Analysis (Unaudited)

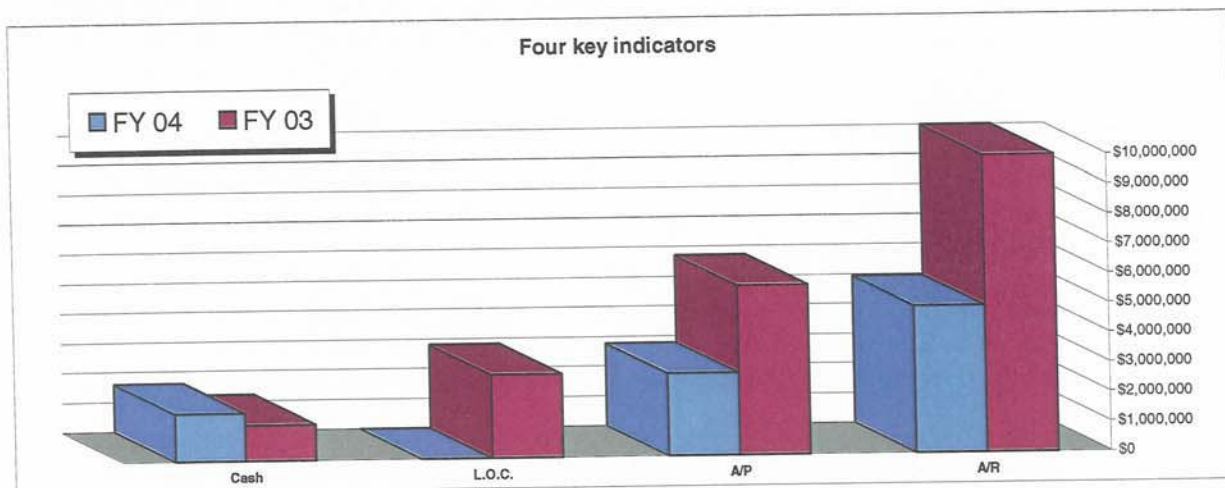
June 30, 2004

Introduction

As management of the Southern California Association of Governments (SCAG), we offer readers of SCAG's financial statements this narrative discussion and analysis of our financial performance during the fiscal year ended June 30, 2004. We encourage readers to examine this information together with the transmittal letter included on pages 1 through 4 and the SCAG financial statements, which begin on page 25.

Management's Discussion and Analysis (MD&A) is a requirement included in our financial statements as supplementary information. SCAG has adopted the provisions of the Governmental Accounting Standard Board's Statement No. 34 (GASB 34), *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. GASB 34 requires certain comparative financial information to be included in the MD&A. Since this is the second year of implementation of the new reporting model, SCAG will include comparative data in the MD&A.

(A) Financial Highlights



- Our financial condition has improved. The graph shows four key balance sheet accounts for this year compared to last year. In short, cash increased by \$0.4 million, the Line of Credit (LOC) liability went down from \$2.8 million to \$0, we reduced our accounts payable (AP) to vendors by \$3.1 million, and collected \$5.5 million of prior year's accounts receivable (AR).
- AR collections yielded significant cash flow. This year our investment in AR decreased from \$10.0 million to \$4.5 million mainly from collections. The additional cash flow was used to improve the balance sheet.
- Borrowings from our \$5.0 million bank LOC were reduced, and as of June 30, 2004, we paid down the LOC to \$0 using internal cash. This compares favorably to the prior year when we had a \$2.8 million outstanding liability to the bank. This reduced interest expense by nearly 50% compared to last year.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Management's Discussion and Analysis (Unaudited)

June 30, 2004

- Major Funding from the Federal Transportation Authority (FTA) and the Federal Highway Administration (FHWA) was less this year by \$3.3 million due to improved reduction of prior year's carryover funds. Last year's funding was \$23.6 million compared to \$20.3 million this year. Less funding affected our revenues, which were less than last year by \$2.1 million. All of our other revenues were less than last year by \$3.8 million for a total decrease in revenue of \$5.9 million.
- Budget and finance staff have successfully shifted from the learning curve to full utilization of the SAP management information system. New budget versus actual financial reporting, improvement in cash flow, 100% billing of project costs, prompt monthly closings, and overall improvement of our financial condition are examples of specific results.

(B) Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to SCAG's basic financial statements. The basic financial statements are comprised of GASB 34 governmentwide financial statements, the fund financial statements, and notes to the basic financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Governmentwide Financial Statements

The governmentwide financial statements now required are designed to provide readers with a broad overview about SCAG's financial performance in a manner similar to financial reports provided to stockholders of private for profit enterprises.

The *Statement of Net Assets* presents information on all SCAG's assets and liabilities, and the difference between assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of SCAG is improving or deteriorating.

The *Statement of Activities* presents information showing how SCAG's net assets have changed during the fiscal year. Revenues and expenses are reported when the underlying event giving rise to the transaction occurs. It is not dependent on the timing of cash flows.

The governmentwide financial statements distinguish activities of SCAG that are principally supported by grants or contracts. The activities of SCAG include the general fund and federal, state, and local funds. The governmentwide financial statements can be found on pages 25 and 26 of this report.

Fund Financial Statements

Fund – A fund is a grouping of related accounts that is used to maintain management control over resources that are segregated to assure the accomplishment of specific grant objectives. Fund accounting is used to demonstrate the grant objective and compliance with federal, state, and local regulations, and grant requirements. All of SCAG's funds are governmental funds.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Management's Discussion and Analysis (Unaudited)

June 30, 2004

Governmental Funds – Governmental funds are used to account for essentially the same financial transactions, which are now reported, in the new governmentwide financial statements. The distinction is that a governmental fund accounting only includes financial resources that are available for spending to support payments for near-term obligations. Governmental fund resources are actually available and spendable as of the end of the fiscal year, whereas the governmentwide financial reports include all resources and obligations, and are not dependent on time.

Since the focus of all governmental funds is narrower than the governmentwide financial statements, it is useful to compare and reconcile the governmental funds with the information presented in the governmentwide financial statements. The comparison will provide a better understanding of the near-term and long-term impact of SCAG's financial decisions. Governmental fund financial statements are reconciled to governmentwide financial statements to facilitate comparison.

In the fund financial statements, there are 59 individual governmental funds. Combined information about all governmental financial statements is shown in the financial section of this report. Information about individual governmental funds are presented in the Supplemental Combining Financial Statements.

SCAG adopts an annual budget for the General Fund (GF). It is presented and approved by the Regional Council (RC) and the General Assembly of SCAG at its annual meeting. Federal, state, and local representatives review and approve the Overall Work Program (OWP) before any expenditure of funds. It is management's responsibility to determine how the annual funding is allocated, to prepare project budgets, monitor adherence to the budget plan, and to amend the plan within the year to achieve the objectives of the OWP.

The OWP identifies revenue sources and how the revenue sources are allocated to fund the budget needs of each project. The OWP complies with federal grant requirements and serves as a management device to measure budget, financial, and program performance. Management establishes line item budgets for all OWP projects in accordance with the tasks, products, and objectives of each project. Project line item budgets include staff, fringe benefits, indirect costs, consultant services, travel, printing, and other direct line item budgets needed to achieve the objectives of the project.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the governmentwide financial statements and the fund financial statements. The notes to the basic financial statements can be found on pages 32 through 42 of this report.

(C) Governmentwide Financial Analysis

The governmentwide financial statements report information on SCAG using accounting methods similar to those used by private business enterprises. Their financial statements report on short- and long-term financial information about their activities. The *Statement of Net Assets* includes all assets and liabilities and is intended to provide the reader with similar information.

All of the current year's revenues and expenses are accounted for in the *Statement of Activities*. This statement measures the results of operations over the past year and can be used to analyze the revenues earned and costs incurred to benefit the project objectives established by the grantors.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Management's Discussion and Analysis (Unaudited)

June 30, 2004

The *Statement of Net Assets* reports information to the reader in a way that will help evaluate SCAG's overall financial performance. The Statement of Net Assets reports all financial activities that occurred during the fiscal year.

Summary of Net Assets

June 30, 2004 and 2003

| | 2004 | 2003 |
|-------------------------------------|--------------|-------------|
| Current and other assets | \$ 6,604,058 | 12,286,347 |
| Capital assets, net | 741,180 | 1,065,469 |
| Total assets | 7,345,238 | 13,351,816 |
| Current and other liabilities | 5,604,877 | 8,839,921 |
| Line of credit, due within one year | — | 2,841,500 |
| Total liabilities | 5,604,877 | 11,681,421 |
| Net assets: | | |
| Invested in capital assets | 741,180 | 1,065,469 |
| Unrestricted | 999,181 | 604,926 |
| Total net assets | \$ 1,740,361 | 1,670,395 |

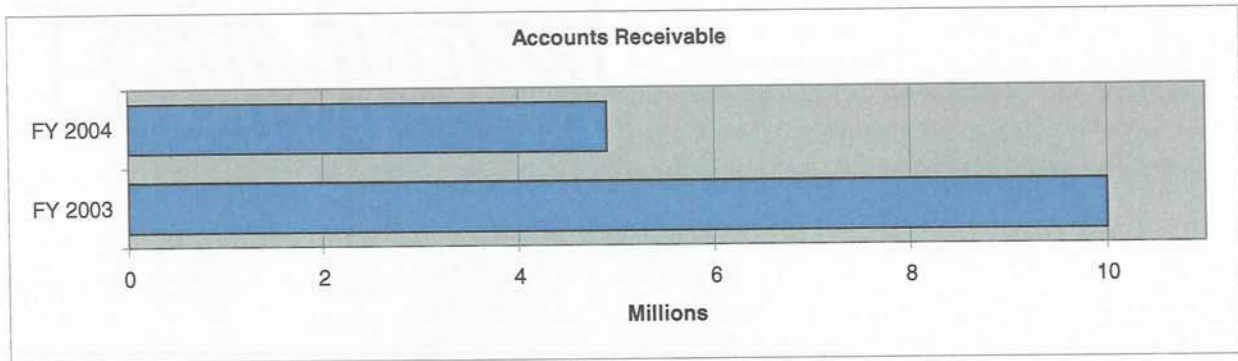
An analysis of the *Statement of Net Assets* is one way to measure financial condition. At June 30, 2004, total assets were \$7,345,238 less liabilities of \$5,604,877 leaving the net asset balance of \$1,740,361. This is a net increase of \$69,966 over the prior year. It represents the increase in net assets from all financial transactions. General Fund expenditures have been adjusted to eliminate depreciation of \$393,867, and investment in capital assets has been decreased by depreciation expense for a net zero impact on net assets. The net asset increase is reported in the Statement of Activities. Although net assets have increased only slightly from last year, this fact alone does not reveal our underlying financial improvement.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Management's Discussion and Analysis (Unaudited)

June 30, 2004

With our cash flow improvement, we substantially reduced AP, lowered our LOC borrowings, paid our vendors on a current basis, and ended the year with an improved balance sheet.



In the prior year, approximately \$10.0 million, or 75% of total assets, represented receivables due from federal, state, and local grantors. This year, of total assets of \$7.3 million, approximately \$4.5 million, or 61% of total assets, were comprised of receivables. We have reduced total assets by \$6.1 million, increased cash, and reduced AR as a percent of total assets.

An analysis of AR and a review of the aging were followed by personal communication and letters, each account was documented and a critical review of collectibility was completed. Because of these and other actions, our collections went up, and our investment went down from \$10.0 million to \$4.5 million. The majority of the \$5.5 million decrease were cash collections.

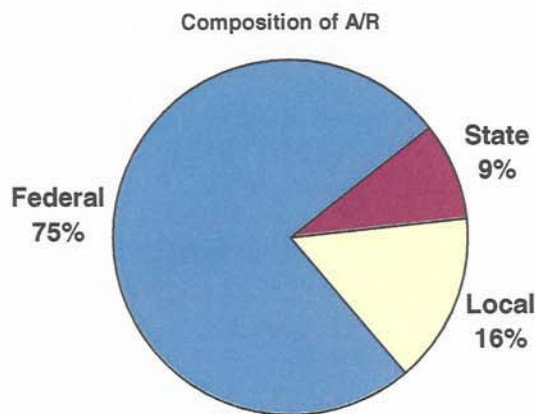
Federal receivables went down from \$6.8 million to \$3.4 million, a decrease of \$3.4 million; state receivables decreased by \$0.1 million; and local receivables decreased by \$2.0 million, which account for the decrease in total receivables of \$5.5 million.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

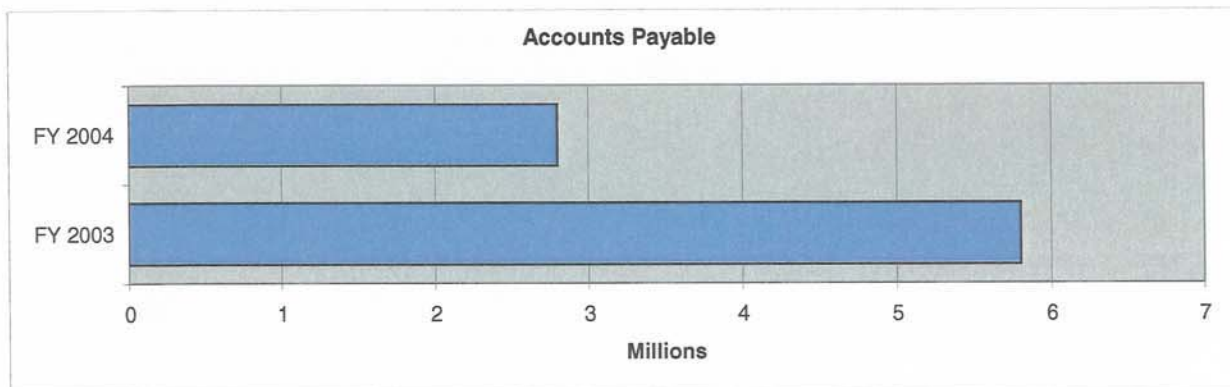
Management's Discussion and Analysis (Unaudited)

June 30, 2004

Local accounts receivable went down from \$2.7 million to \$0.7 million and local revenue in the period decreased from \$5.3 million to \$1.6 million, a decrease of \$3.7 million, or 72%. As explained elsewhere in this report, the Rideshare program ceased operations on July 1, 2003. Receivables from Rideshare grantors were \$1.6 million in the prior year and \$0.4 million this year, a decrease of \$1.2 million. Most of the remaining receivables are retentions, which are payable to SCAG when final audits are completed, and disallowances, if any, are resolved with the grantor.



The benefit of the \$5.5 million collections was fully realized because it occurred together with decreases in our overall revenues of \$5.9 million. Because of the revenue decreases, receivables went down and rather than investing our funds in ARs we were able to apply the funds directly to financial improvements.



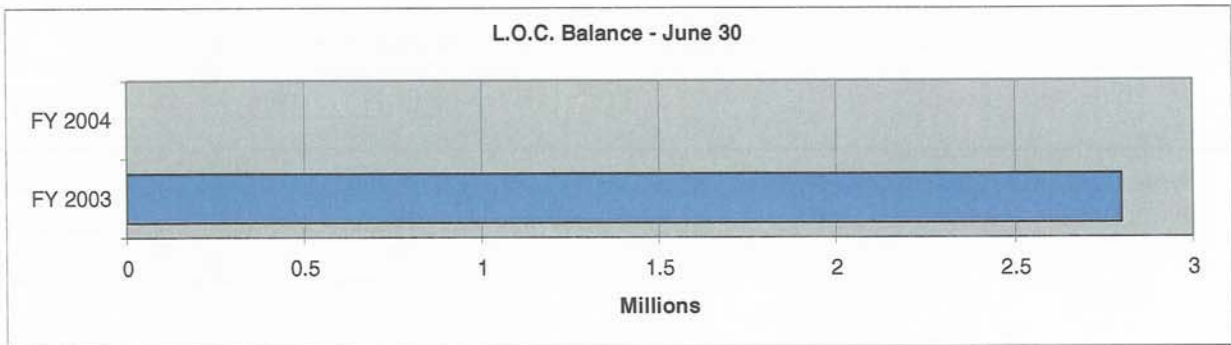
Reducing our liabilities to manageable levels was a priority and a major use of cash generated in the fiscal year. It was used to liquidate APs from \$5.8 million in the prior year to \$2.8 million, a decrease of \$3.1 million. This decrease brought our payables to current levels and we are continuing to pay our vendors according to credit terms. We have met our goal this year of paying vendors within a 30-day period. This has been a consistent practice, unless there are problems that need to be resolved before payment. In these cases, our practice has been to pay the vendor immediately upon resolution of the problem.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

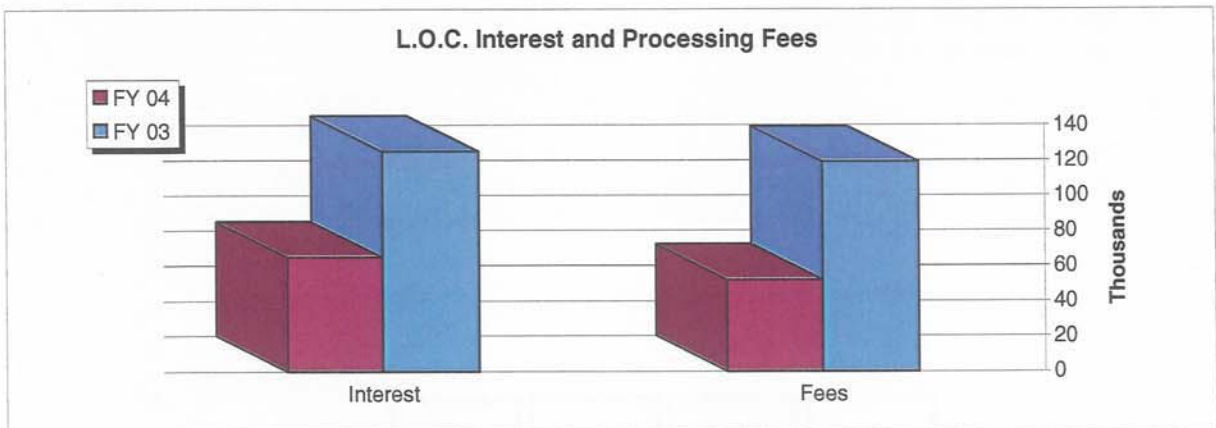
Management's Discussion and Analysis (Unaudited)

June 30, 2004

The LOC was established to provide access to needed cash on a current basis. It has been a valuable resource for cash availability to meet most of our needs, while awaiting the receipt of payment from the State of California Department of Transportation (Caltrans). The LOC is a \$5.0 million credit line with an independent financial institution, which expired at June 30, 2004, and has been renewed for another year. The advances are secured by an assignment of monies due, or to be due, only from Caltrans. They are the cognizant agency for FTA and FHWA. Advances under the line must be in minimum amounts of \$350,000 and are due 60 days from the date of the advance. The interest rate in the period ranged from 3.0374% to 3.2238%.



Total LOC advances during the year were \$19.8 million, compared to \$24.6 million in the prior year, a reduction of \$4.8 million, or 20% less than last year. Furthermore, at the end of the fiscal year, we were able to pay off the LOC to \$0 compared to the outstanding liability of \$2.8 million in the prior year. Both of these factors contributed to reduced interest expense. Interest on borrowed funds went down from \$125,421 to \$64,064, a savings of \$61,357, or nearly 50% less than last year. Overall, we are borrowing less and paying advances faster.



SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Management's Discussion and Analysis (Unaudited)

June 30, 2004

This past year, Caltrans and SCAG agreed on a new cooperative fee arrangement for the processing of our invoices on a rapid basis. The fee was changed from 1/2 of 1% of the requisition amount to a flat \$75 per requisition. This change reduced fee expense from \$119,525 in the prior year to \$51,803, a savings of \$67,722. We were able to collect from Caltrans and pay the outstanding LOC advance within 30 days, one month before the due date, which also reduced LOC interest.

Capital Assets

Investment in capital assets of \$741,180 represents about 43% of net assets. These assets have continuing value, which contribute to conducting SCAG's transportation planning activities. This investment includes computer equipment, leasehold improvements, and furniture and fixtures as follows:

| | <u>2004</u> | <u>2003</u> |
|-----------------------------|-------------------|------------------|
| Computer equipment, net | \$ 41,736 | 333,859 |
| Leasehold improvement, net | 671,904 | 690,373 |
| Furniture and fixtures, net | 27,540 | 41,237 |
| | <u>\$ 741,180</u> | <u>1,065,469</u> |

Summary of Changes in Net Assets

Years ended June 30, 2004 and 2003

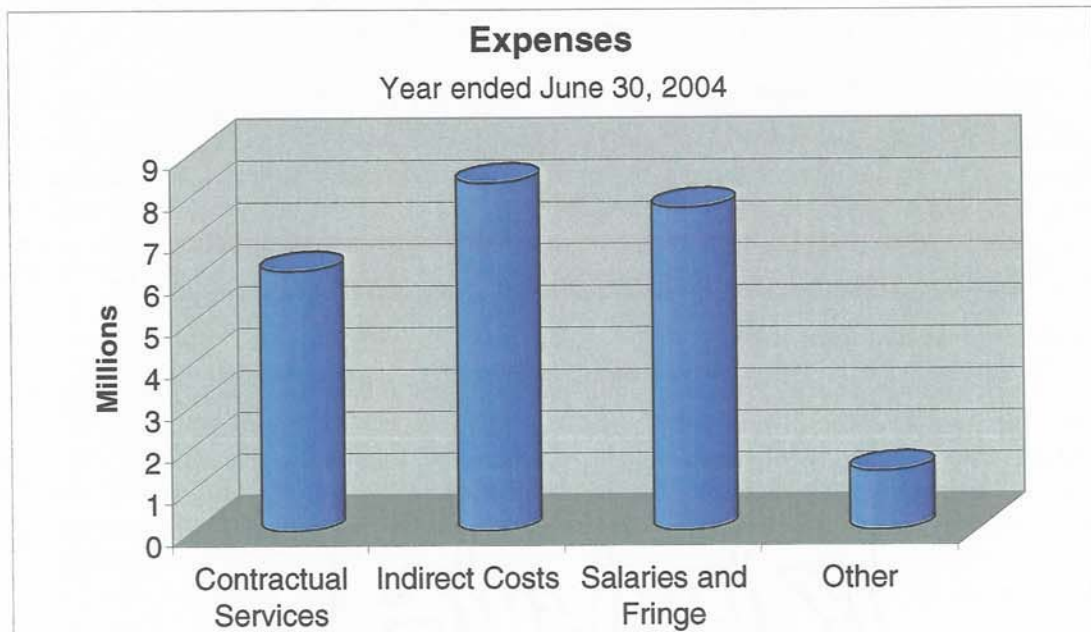
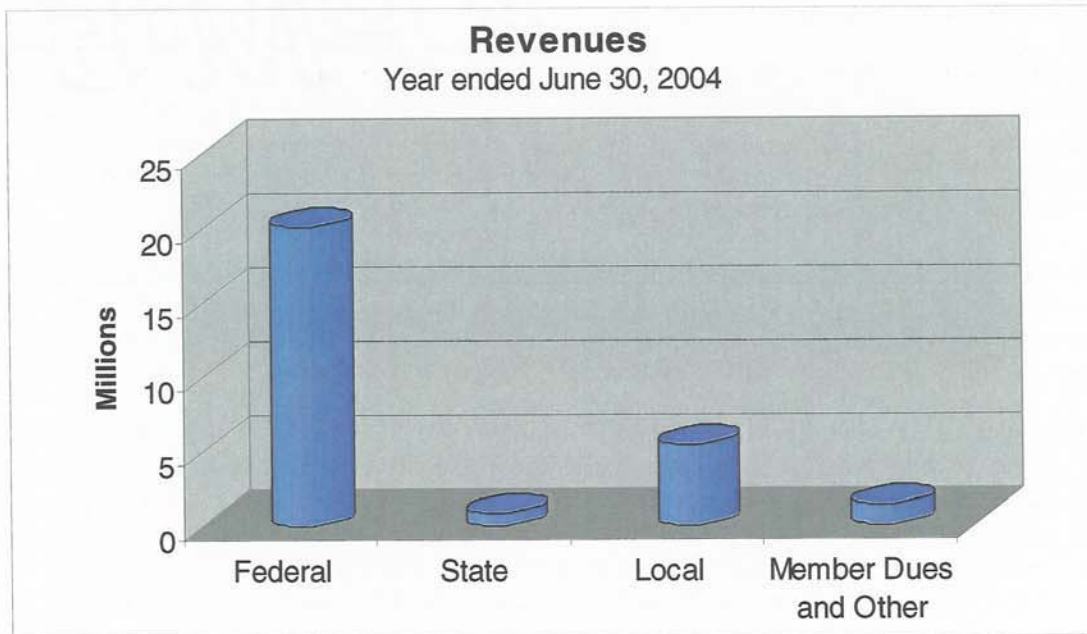
| | <u>2004</u> | <u>2003</u> |
|------------------------------------|-------------------|-------------------|
| Revenues: | | |
| Operating grants and contributions | \$ 22,465,587 | 28,529,885 |
| General revenues: | | |
| Membership assessment | 1,270,190 | 1,193,069 |
| Interest revenue and other | 107,869 | 25,405 |
| Interest expense | (64,064) | (125,421) |
| | <u>23,779,582</u> | <u>29,622,938</u> |
| Expenses: | | |
| Transportation | <u>23,709,616</u> | <u>29,457,264</u> |
| Increase in net assets | <u>\$ 69,966</u> | <u>165,674</u> |

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Management's Discussion and Analysis (Unaudited)

June 30, 2004

Total grant revenues in the year were \$22.4 million. This is a decrease of \$6.1 million from all federal, state, and local sources, an overall decrease of 21% compared to the prior year. The decreases are attributable to \$2.4 million of federal revenues and \$3.7 million in local revenues. State revenues remained about equal to last year.



SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Management's Discussion and Analysis (Unaudited)

June 30, 2004

Federal Revenues and Expenses

Total federal revenues decreased to \$20.1 million compared to \$22.5 million in the prior year, a net decrease of \$2.4 million. The net decrease is primarily due to a decrease of \$2.3 million of Federal Transit Administration (FTA) revenues and an increase in Federal Highway Administration (FHWA) revenues of \$0.9 million, a net decrease of \$1.4 million.

The FTA Fund and FHWA Fund are SCAG's Major Funds. Together they are 84% of grant revenues and the primary funding of our Overall Work Program. This year, we completed and adopted the 2004 Regional Transportation Plan. Funding from FTA and FHWA was less this year by \$3.3 million due to a reduction of prior year carryover funds. The total budget for both Major Funds was \$20.3 million compared to \$23.6 million in the prior year.

Major funds are reported separately in the Supplementary Combining Financial Statements presented elsewhere in this annual report. It presents the annual budgets established for each grant compared to the actual expenses for the year and the favorable (unfavorable) variance for each line item of revenue and expense. The major variance was in contractual services for both grants.

The balance of the overall net decrease of \$2.4 million was \$1.0 million. Of this amount, \$0.2 million was due to the Federal Aviation Administration (FAA), and \$0.08 million was due to the Federal Railroad Authority (FRA). FAA revenues decreased from \$1.1 million to \$0.9 million. FAA revenues are comprised of several grants. One of the largest was an original grant of \$1.5 million primarily to support the project work completed for the aviation component of the RTP. The other \$0.8 million decrease was due to the FRA grant, which went down from \$1.0 million to \$0.2 million, a decrease of \$0.8 million. The FRA grant expired in December 2003. The original grant was \$4.2 million, which together with other matched funding of \$2.2 million brought the total to \$6.4 million. The funding was to conduct preconstruction planning for the Los Angeles Maglev system.

State Revenues and Expenses

Total state revenues this year at \$0.7 million were about equal to last year. State Planning and Research revenues of \$0.5 million were the major part of total revenue for both years. In the prior year, there were two grants, and in the current year, there were four. The two from last year were completed and the two new grants were started. The two grants started this year were a \$0.2 million grant to develop a Storm Water Planning Project and a \$1.2 million grant for an I-15 Comprehensive Study, both for Caltrans.

Local Revenues and Expenses

Total local revenues decreased from \$5.3 million compared to \$1.6 million the prior year for a net decrease of \$3.7 million. This decrease is directly attributable to the termination of grant support for the Rideshare program. The support for this program decreased by \$2.4 million in the current year. As noted in the financial highlights, the decrease was a planned phase out of the Rideshare program. The State Transportation Development Act (TDA) and local Maglev funding decreased from an aggregate of \$2.0 million to \$0.9 million, a decrease of \$1.1 million from the prior year. Rideshare, TDA, and local Maglev grants accounted for \$3.5 million of the total decrease in local revenues.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Management's Discussion and Analysis (Unaudited)

June 30, 2004

General Fund Revenues and Expenses

Summary Analysis of General Fund Budget

Fiscal year 2003-2004

| | <u>Original and final budget</u> | <u>Actual</u> | <u>Variance – favorable (unfavorable)</u> |
|---|--------------------------------------|------------------|---|
| Revenues: | | | |
| Membership assessments | \$ 1,234,200 | 1,270,190 | 35,990 |
| Interest and other | 32,500 | 107,869 | 75,369 |
| Total revenues | <u>1,266,700</u> | <u>1,378,059</u> | <u>111,359</u> |
| Expenditures: | | | |
| Capital outlay | 25,000 | 11,251 | 13,749 |
| Interest | 160,000 | 64,064 | 95,936 |
| California Department of Transportation fees | 135,000 | 51,803 | 83,197 |
| Professional services | 805,000 | 543,371 | 261,629 |
| Other | 10,000 | 313,315 | (303,315) |
| Total expenditures | <u>1,135,000</u> | <u>983,804</u> | <u>151,196</u> |
| Excess of revenues over expenditures | <u>\$ 131,700</u> | <u>394,255</u> | <u>262,555</u> |

On an annual basis, the RC and the entire membership at the annual General Assembly approve a GF line item budget. The GF is SCAG's internal source of working capital, is available for any authorized purpose, and is used to finance all activities not otherwise required or allowed to be accounted for in another fund.

The main GF source of revenues is dues, which are assessed and collected from members of SCAG. The revenues are used to support the expenses of the RC and its subcommittees and other expenses described below. The governmentwide *Statement of Activities* includes the GF.

(The GF is also reported in the Governmental *Funds Balance Sheet* and the related *Statement of Revenues, Expenditures, and Changes in Fund Balances*).

Member dues revenues in the current year were \$1,270,190 compared to the budget of \$1,234,200, a favorable variation of \$35,990. Annual dues increases of 10% for this fiscal year were approved by the General Assembly upon recommendation by the RC. In addition, the Bylaws were amended to permit the adjustment of annual dues assessments equal to the increase in the consumer price index. On the expense side, total expenses in the period totaled \$983,804 compared to the budget of \$1,135,000, a favorable variation of \$151,196. The variation is discussed below.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Management's Discussion and Analysis (Unaudited)

June 30, 2004

RC support expenses were \$221,574 compared to the budget of \$285,000, a favorable variance of \$63,426. RC support includes meeting attendance stipends, meeting expenses, travel, and the annual general assembly meeting for the entire SCAG membership. The remaining GF expenses were \$762,230 compared to the budget of \$850,000, a favorable variation of \$87,770. These expenses include contracted lobbying, legal fees, and other expenses, not otherwise listed separately above.

All assets were analyzed and certain accounts were identified for further review and discussion with top management. Ultimately, several accounts receivable and an adjustment to the underrecovered indirect cost account were charged to expense. Taken together, the amount expensed was \$621,973. It was made up of two parts and reported as other expense, net of adjustments to eliminate depreciation.

First, the ARs in other expense were \$109,504, and three accounts totaling \$103,436 are 95% of the expense. We concluded the accounts were not collectible. Second, in other expense is \$512,469, which resulted from our review of the account shown on the balance sheet as underrecovered indirect cost. The account is the accumulation of allowable indirect costs incurred in prior years, but not allocated to direct projects by using the fixed rate approved by Caltrans. The fixed rate approval is based on an Indirect Cost Allocation Plan (ICAP) submitted by SCAG.

The underrecovered indirect costs were incurred in 2002 and prior. As a general rule, they are permitted to be carried forward two years and charged to future projects through a higher fixed rate, all subject to approval. SCAG did not allocate indirect cost to projects in certain audit years based on the facts available at the time. Although made in good faith, the nonallocation of indirect costs to projects was not included in our submitted ICAPs for those years, nor approved by Caltrans. Therefore, the carryforward was disallowed. We have therefore charged \$512,469 to expense of the GF to recognize the disallowance from prior audits to the subsequent years of 2002 and prior.

Internal growth in permanent working capital is through the GF. This year, however, we realized a sharp increase in our working capital from operations by managing our assets. Collections were up, receivables and liabilities were down, and working capital was up by 50%. We are pleased that these results were favorable financial indicators about our work in the 2003-2004 fiscal year.

(D) Next Year's Outlook and Other Conditions

- SCAG will receive \$18.0 million, a slight increase in funding, from the Consolidated Planning Grant (CPG) in fiscal year 2005 compared to \$17.4 million in the current year. The CPG program is the major Funding Source of SCAG.
- Efforts continue to streamline the flow of contracting work and shorten time requirements. The processes begin with the purchase requisition by the project manager, the administration of the bidding and contracting process, and the final legal review and approval of a binding contractual obligation.
- Quarterly progress reporting to Caltrans continues to be improved to highlight problems early for detection, initiative, and prompt management intervention.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Management's Discussion and Analysis (Unaudited)

June 30, 2004

- Management continues its oversight over General Fund revenues, expenditures, and fund balance in order to grow and assure that the net assets will support the intermediate and long-term financial needs of SCAG.
- Cash and working capital improvements have reduced the utilization of the bank line of credit and will also reduce interest expense to the General Fund.

Requests for Information

This report is designed to provide a general overview of SCAG finances for readers of the comprehensive annual financial report. Questions concerning any of the information in this report or request for additional financial information should be addressed to the Chief Financial Officer, Southern California Association of Governments, 818 West 7th Street, 12th Floor, Los Angeles, California 90017.

Basic Financial Statements

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Statement of Net Assets

June 30, 2004

Assets

| | | |
|------------------------------------|----|------------------|
| Cash and cash equivalents (note 3) | \$ | 1,611,096 |
| Receivables: | | |
| Federal grants | | 3,364,431 |
| State grants and contracts | | 351,556 |
| Local grants and contracts | | 799,340 |
| Other | | 429,111 |
| Other assets | | 48,524 |
| Capital assets, net (note 5) | | 741,180 |
| Total assets | | <u>7,345,238</u> |

Liabilities

| | |
|---------------------------------------|------------------|
| Accounts and contracts payable | 2,772,116 |
| Overrecovered indirect costs (note 4) | 147,784 |
| Accrued liabilities | 467,845 |
| Deferred revenues and credits | 1,424,466 |
| Compensated absences | 792,666 |
| Total liabilities | <u>5,604,877</u> |

Commitments and contingencies (notes 7, 8, 10, and 12)

Net Assets

| | |
|-------------------------------------|----------------------------|
| Invested in capital assets (note 5) | 741,180 |
| Unrestricted | 999,181 |
| Total net assets | \$ <u><u>1,740,361</u></u> |

See accompanying notes to basic financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Statement of Activities

Year ended June 30, 2004

| | <u>Expenses</u> | <u>Program revenues – operating grants and contributions</u> | <u>Net (expenses) revenues and changes in net assets</u> |
|--------------------------------|-------------------|--|--|
| Functions/programs: | | | |
| Transportation | \$ 23,709,616 | 22,465,587 | (1,244,029) |
| Total government activities | <u>23,709,616</u> | <u>22,465,587</u> | <u>(1,244,029)</u> |
| General revenues: | | | |
| Membership assessment (note 9) | | | 1,270,190 |
| Interest revenue and other | | | 107,869 |
| Interest expense | | | <u>(64,064)</u> |
| Total general revenues | | | <u>1,313,995</u> |
| Change in net assets | | | 69,966 |
| Net assets at July 1, 2003 | | | <u>1,670,395</u> |
| Net assets at June 30, 2004 | | | \$ <u><u>1,740,361</u></u> |

See accompanying notes to basic financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Balance Sheet

Governmental Funds

June 30, 2004

| Assets | General Fund | FTA Fund | FHWA Fund | Nonmajor Funds | Total |
|--|-------------------------|---------------------|----------------------|---------------------------|------------------|
| Cash and cash equivalents (note 3) | \$ 1,611,096 | — | — | — | 1,611,096 |
| Receivables: | | | | | |
| Federal grants | — | 1,518,720 | 1,732,388 | 113,323 | 3,364,431 |
| State grants and contracts | — | — | — | 351,556 | 351,556 |
| Local grants and contracts | — | — | — | 799,340 | 799,340 |
| Other | 429,111 | — | — | — | 429,111 |
| Due from other funds (note 6) | 1,882,259 | — | 268,124 | 770,472 | 2,920,855 |
| Other assets | 48,524 | — | — | — | 48,524 |
| Total assets | \$ 3,970,990 | 1,518,720 | 2,000,512 | 2,034,691 | 9,524,913 |
| Liabilities and Fund Balances | | | | | |
| Accounts and contracts payable | \$ 481,363 | 1,125,846 | 735,093 | 429,814 | 2,772,116 |
| Overrecovered indirect costs | 147,784 | — | — | — | 147,784 |
| Accrued liabilities | 225,530 | 29,083 | 187,068 | 26,164 | 467,845 |
| Compensated absences | 792,666 | — | — | — | 792,666 |
| Due to other funds (note 6) | — | 363,791 | 1,078,351 | 1,478,713 | 2,920,855 |
| Deferred revenues and credits | 1,324,466 | — | — | 100,000 | 1,424,466 |
| Total liabilities | 2,971,809 | 1,518,720 | 2,000,512 | 2,034,691 | 8,525,732 |
| Fund balances – undesignated | 999,181 | — | — | — | 999,181 |
| Total liabilities and fund balances | \$ 3,970,990 | 1,518,720 | 2,000,512 | 2,034,691 | 9,524,913 |

See accompanying notes to basic financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities in the Statement of Net Assets

June 30, 2004

| | | |
|---|----|-------------------------|
| Total governmental fund balances | \$ | 999,181 |
| Amounts reported for governmental activities in the accompanying statement of net assets are different because: | | |
| Capital assets, net of accumulated depreciation of \$4,349,543 used in governmental activities, are not financial resources, therefore, are not reported in the funds | | <u>741,180</u> |
| Net assets of governmental activities | \$ | <u><u>1,740,361</u></u> |

See accompanying notes to basic financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2004

| | General Fund | FTA Fund | FHWA Fund | Nonmajor Funds | Total |
|---------------------------------------|-------------------------|---------------------|----------------------|---------------------------|-------------------|
| Revenues: | | | | | |
| Federal grants | \$ — | 5,559,212 | 13,409,059 | 1,171,300 | 20,139,571 |
| State grants and contracts | — | — | — | 740,473 | 740,473 |
| Local grants and contracts | — | — | — | 1,551,398 | 1,551,398 |
| Membership assessments (note 9) | | | | | |
| Cities | 974,904 | — | — | — | 974,904 |
| Counties | 245,286 | — | — | — | 245,286 |
| Commission | 50,000 | — | — | — | 50,000 |
| Interest and other | 107,869 | — | — | — | 107,869 |
| Total revenues | <u>1,378,059</u> | <u>5,559,212</u> | <u>13,409,059</u> | <u>3,463,171</u> | <u>23,809,501</u> |
| Expenditures: | | | | | |
| Salaries, wages, and fringe benefits: | | | | | |
| (notes 10 and 12) | 13,505 | 1,648,538 | 5,319,701 | 752,414 | 7,734,158 |
| Indirect costs (note 4) | 14,721 | 1,796,906 | 5,798,475 | 820,129 | 8,430,231 |
| Contractual services | 307,259 | 1,994,760 | 2,120,333 | 1,861,151 | 6,283,503 |
| Reproduction and printing | 9,186 | 59,441 | 32,844 | 2,035 | 103,506 |
| Travel | 38,422 | 32,767 | 47,797 | 3,083 | 122,069 |
| Capital outlay | 11,251 | — | — | — | 11,251 |
| Interest | 64,064 | — | — | — | 64,064 |
| Memberships | 12,985 | — | — | — | 12,985 |
| California Department of | | | | | |
| Transportation fees | 51,803 | — | — | — | 51,803 |
| Operating contributions to projects | 228,106 | — | — | — | 228,106 |
| Professional services | 147,293 | 9,806 | — | — | 157,099 |
| Other | 85,209 | 16,994 | 89,909 | 24,359 | 216,471 |
| Total expenditures | <u>983,804</u> | <u>5,559,212</u> | <u>13,409,059</u> | <u>3,463,171</u> | <u>23,415,246</u> |
| Excess of revenues over expenditures | 394,255 | — | — | — | 394,255 |
| Fund balances, beginning of year | 604,926 | — | — | — | 604,926 |
| Fund balances, end of year | <u>\$ 999,181</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>999,181</u> |

See accompanying notes to basic financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities**

June 30, 2004

Amounts reported for governmental activities in the accompanying statement
of activities are different because:

| | |
|---|------------------|
| Net change in fund balances – total governmental funds | \$ 394,255 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their respective estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period | <u>(324,289)</u> |
| Change in net assets of governmental activities | <u>\$ 69,966</u> |

See accompanying notes to basic financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual – General Fund

Year ended June 30, 2004

| | Original and final budget | Actual | Variance – favorable (unfavorable) |
|--|--|------------------|---|
| Revenues: | | | |
| Membership assessments: | | | |
| Cities | \$ 972,414 | 974,904 | 2,490 |
| Counties | 245,286 | 245,286 | — |
| Commissions | 16,500 | 50,000 | 33,500 |
| | <u>1,234,200</u> | <u>1,270,190</u> | <u>35,990</u> |
| Interest and other | 32,500 | 107,869 | 75,369 |
| Total revenues | <u>1,266,700</u> | <u>1,378,059</u> | <u>111,359</u> |
| Expenditures: | | | |
| Capital outlay | 25,000 | 11,251 | 13,749 |
| Interest | 160,000 | 64,064 | 95,936 |
| California Department of Transportation fees | 135,000 | 51,803 | 83,197 |
| Professional services | 805,000 | 543,371 | 261,629 |
| Other | 10,000 | 313,315 | (303,315) |
| Total expenditures | <u>1,135,000</u> | <u>983,804</u> | <u>151,196</u> |
| Excess of revenues over expenditures | 131,700 | 394,255 | 262,555 |
| Fund balance, beginning of year | 604,926 | 604,926 | — |
| Fund balance, end of year | <u>\$ 736,626</u> | <u>999,181</u> | <u>262,555</u> |

See accompanying notes to basic financial statements.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

(a) General Background

The Southern California Association of Governments (SCAG) is a regional planning organization and a Council of Governments voluntarily established by its members in 1965 pursuant to the Joint Exercise of Powers Act. SCAG was established as a regional platform for the discussion, study, and agreement on long-term regional policies regarding the orderly development of the Southern California Region pertaining to transportation, air quality, and growth management. The state of California and the federal government have designated SCAG as the comprehensive planning agency for the Southern California Region.

The region served by SCAG includes the counties of Imperial, Los Angeles, Orange, Riverside, San Bernardino, and Ventura as well as cities in the boundaries of these counties. SCAG works with the region's agencies and decision makers to develop long-range policies and action plans that can be used as a guide in addressing issues of regional/subregional concern and to help local agencies meet federal and state planning mandates. SCAG's policies and programs are governed by a 76-member Regional Council (RC). Members of the RC are locally elected officials who are appointed to serve two-year terms by their respective local jurisdictions. RC officials are elected by the RC membership and serve a one-year term.

The accompanying basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standard Board (GASB) and other rule-making bodies. The accompanying basic financial statements include all financial activities of SCAG.

(b) Governmentwide and Fund Financial Statements

The basic financial statements of SCAG are composed of the following:

- Governmentwide financial statements
- Fund financial statements
- Notes to basic financial statements.

Governmentwide Financial Statements

Governmentwide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) display information about SCAG as a whole. All significant interfund activity has been eliminated in the Statement of Activities. Governmentwide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2004

Amounts paid to acquire capital assets are capitalized as assets in the governmentwide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the governmentwide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Fund Financial Statements

The accounting system of SCAG is organized and operated on the basis of separate funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

Fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. The modified accrual basis of accounting is defined as the basis of accounting under which expenditures, other than accrued interest on long-term debt, are recorded at the time liabilities are incurred. Revenues are recorded when received in cash, except for measurable and available revenues, which are defined as available to finance current period expenditures and are accrued to properly reflect the revenues earned.

All governmental funds are accounted for on a spending or “financial flow” measurement focus. Generally, only current assets and current liabilities are included on the balance sheets. However, noncurrent portions of long-term receivables related to governmental funds are also reported on their balance sheets and are offset by deferred revenue or fund balance reserve accounts. Statements of revenues, expenditures, and changes in fund balances for governmental funds generally present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

(c) Major Funds

SCAG considers the following funds as major governmental funds:

Governmental Funds

- **General Fund** – The general fund is available for any authorized purpose and is used to account for all financial activities of SCAG not required or allowed to be accounted for in another fund. The main source of revenues of the general fund is dues, which are assessed and collected from the members of SCAG. The general fund is the primary internal source of working capital.
- **Federal Transit Administration (FTA)** – This fund is established to account for federal revenues received from the Federal Transit Administration under separate granting procedures. These funds are available and restricted to support expenditures for specifically identified purposes and projects, as directed by generally accepted accounting principles.
- **Federal Highway Administration (FHWA)** – This fund is established to account for funds received from the Federal Highway Administration under separate granting procedures. These funds are available and restricted to support expenditures for specifically identified purposes and projects, as directed by the underlying grants and generally accepted accounting principles.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2004

(d) *Implementation of New Accounting Standards*

Effective July 1, 2002, SCAG implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments*, and its related GASB Statements Nos. 37 and 38 as well as Interpretation No. 6.

GASB 34 and its related statements establish financial reporting standards for state and local governments. They require, among other things, that the difference between assets and liabilities be reported as net assets, not fund balances, that a Management’s Discussion and Analysis (MD&A) section precede the basic financial statements, and that capital assets be capitalized and depreciated over their estimated useful lives as a result.

(e) *Budgetary Basis of Accounting*

An annual budget is prepared and established for the general fund. For all other funds, financial and fiscal control is accomplished through an Overall Work Program (OWP). SCAG’s management is responsible for preparing the annual OWP.

The OWP identifies revenue sources and the allocation of revenue sources to support the planning, indirect and support activities, and projects. The OWP is intended to meet SCAG’s federal grant responsibilities and to serve as a management device to measure financial and program performance. Federal and state representatives review and approve the annual OWP. The annual OWP is also presented to and approved by the SCAG Administration Committee and the Regional Council.

Management determines line item projected amounts for all projects in accordance with the objectives and tasks of each project. Line item budgets are established for staff, indirect and fringe benefits, consultants, travel, and other designated line items.

(f) *Grant Revenues*

Grant revenues are recognized to the extent that allowable expenditures under the grant have been incurred. Grant expenditures incurred in excess of grant revenues available are funded by general fund revenue.

(g) *Deferred Revenues and Credits*

Grant revenue received in excess of grant expenditures incurred is recorded as deferred grant revenue in the accompanying basic financial statements. Deferred revenue arises when resources are received before SCAG has incurred allowable expenditures.

SCAG’s rental cost associated with its operating lease for office space is recognized on the straight-line basis. The difference between cash payments and straight-line basis rent expense results in a credit balance that is included in deferred credits. Deferred lease credits are amortized on a straight-line basis over the lease term.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2004

It is SCAG's policy to permit employees to accumulate earned but unused vacation benefits. Employees are paid 100% of their accumulated vacation when they terminate employment for any reason. All vacation is accrued when incurred in the governmentwide financial statements as compensated absences.

(h) *Capital Assets*

Capital assets, which include furniture and fixtures and equipment, are reported in the governmental activities in the accompanying governmentwide financial statements. Capital assets are defined by SCAG as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation of capital assets within SCAG is computed on a straight-line method using these estimated useful lives:

| | |
|------------------------|-------------|
| Equipment | 3 years |
| Leasehold improvements | 7 years |
| Furniture and fixtures | 3 – 7 years |

(i) *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash on hand and demand deposit accounts. Cash not needed for immediate use, as working capital, is invested in interest-bearing accounts.

(j) *Use of Estimates*

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from such estimates.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2004

(2) Reconciliation of Total Governmental Fund Balances to Net Assets

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the governmentwide statement of net assets. The details of the differences are as follows:

| Assets | Total governmental funds | Capital assets | Eliminations of due to/ from | Statement of net assets totals |
|--|--------------------------------|------------------|------------------------------------|--------------------------------------|
| Cash and cash equivalents | \$ 1,611,096 | — | — | 1,611,096 |
| Receivables: | | | | |
| Federal grants | 3,364,431 | — | — | 3,364,431 |
| State grants and contracts | 351,556 | — | — | 351,556 |
| Local grants and contracts | 799,340 | — | — | 799,340 |
| Other | 429,111 | — | — | 429,111 |
| Due from other funds | 2,920,855 | — | (2,920,855) | — |
| Other assets | 48,524 | — | — | 48,524 |
| Capital assets, net | — | 741,180 | — | 741,180 |
| Total assets | \$ 9,524,913 | 741,180 | (2,920,855) | 7,345,238 |
| Liabilities and Fund Balances/ Net Assets | | | | |
| Liabilities: | | | | |
| Accounts and contracts payable | \$ 2,772,116 | — | — | 2,772,116 |
| Line of credit, due within one year | 147,784 | — | — | 147,784 |
| Accrued liabilities | 467,845 | — | — | 467,845 |
| Compensated absences | 792,666 | — | — | 792,666 |
| Due to other funds | 2,920,855 | — | 2,920,855 | — |
| Deferred revenues and credits | 1,424,466 | — | — | 1,424,466 |
| Total liabilities | 8,525,732 | — | 2,920,855 | 5,604,877 |
| Fund balances/net assets | 999,181 | (741,180) | — | 1,740,361 |
| Total liabilities and fund balances/ net assets | \$ 9,524,913 | (741,180) | 2,920,855 | 7,345,238 |

The impact of GASB 34 on SCAG's accounting and financial reporting practices was to report all long-term assets and liabilities in the statement of net assets.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2004

(3) Cash and Cash Equivalents

(a) Deposits

At June 30, 2004, SCAG's cash and cash equivalents consisted of deposits with the County of Los Angeles Treasury, an independent financial institution, and petty cash on hand, all of which are presented in the accompanying basic financial statements at fair value.

Independent Financial Institution

At June 30, 2004, SCAG's carrying amount of cash in checking accounts was \$618,219 while the bank balance was \$1,056,681, with the difference being attributable to outstanding checks.

Of the bank balance in financial institutions, the Federal Deposit Insurance Corporation covered \$100,000 while the remaining \$956,681 is collateralized pursuant to signed agreements. The financial institutions are legally required by the California Government Code to collateralize SCAG's deposits by pledging government securities. The pledging financial institution's trust department holds the collateral in the depositor's name. The fair value of the pledged securities is greater than 110% of SCAG's deposit balance.

County Treasury

At June 30, 2004 and as permitted for by California Government Code Section 53635, a portion of SCAG's cash balance totaling \$992,427 was on deposit in the Los Angeles County Treasury. As such amounts are readily withdrawable, the balances are stated at fair value.

(b) Investments

In accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, investments are categorized to indicate the level of custodial credit risk assumed at year-end. Category 1 includes investments that are insured or registered or for which SCAG or its agent in the entity's name holds the securities with subsidiary records listing SCAG as the legal owner. Category 2 includes uninsured and unregistered investments for which the counterparty holds the securities by the counterparty's trust department or agent in SCAG's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in SCAG's name.

At June 30, 2004, SCAG had no investments represented by specific, identifiable securities. The carrying amount of such investments approximates fair value. Due to their nature, these investments cannot be categorized. Amounts on deposit with the Los Angeles County Treasury at June 30, 2004 totaled \$992,427.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2004

A reconciliation of cash and cash equivalents and restricted cash and cash equivalents, as shown on the statement of net assets, is as follows:

| | |
|---|---------------------|
| Book balance deposits with financial institutions | \$ 618,219 |
| Cash and cash equivalents in County Treasury | 992,427 |
| Petty cash | 450 |
| | <u>\$ 1,611,096</u> |

(4) Indirect Overhead

Indirect overhead is budgeted and actual costs are allocated and recovered from all grantors based on a predetermined fixed rate percentage applied to actual direct labor and fringe dollars incurred. The annual budget and the calculations of the fixed rate percentage are reviewed, negotiated, and approved annually by the California Department of Transportation (Caltrans). A cost allocation plan is prepared and submitted to Caltrans annually in accordance with procedures of the Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State and Local Governments*. Variations between actual indirect costs incurred and plan amounts are recorded as receivables or liabilities, as the case may be, and are allowed by Caltrans to be carried forward to future year's indirect cost plan.

For fiscal 2004, an underrecovery of \$837,283 was carried forward from fiscal 2003. The fixed percentage rate that was approved by Caltrans and used for fiscal 2004 was 109.00% of salaries plus fringe benefits. A reconciliation of the carryforward to fiscal 2004 follows:

| | <u>Indirect costs</u> |
|--|-----------------------|
| Indirect costs | \$ 8,282,746 |
| Indirect costs recovered | <u>8,430,231</u> |
| (Over)recovered indirect costs | <u>(147,485)</u> |
| General Fund contribution | (837,582) |
| Underrecovered indirect costs, beginning of year | <u>837,283</u> |
| (Over)recovered indirect costs from prior year | <u>(299)</u> |
| (Over)recovered indirect costs, end of year | <u>\$ (147,784)</u> |

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2004

(5) Capital Assets

Capital asset activity of SCAG for the year ended June 30, 2004 was as follows:

| | <u>Balance, July 1, 2003</u> | <u>Additions/ adjustment</u> | <u>Deletions</u> | <u>Balance, June 30, 2004</u> |
|--|--------------------------------------|----------------------------------|------------------|---------------------------------------|
| Capital assets being depreciated: | | | | |
| Computer equipment | \$ 3,314,626 | 69,578 | — | 3,384,204 |
| Leasehold improvements | 871,099 | — | — | 871,099 |
| Furniture and fixtures | 835,420 | — | — | 835,420 |
| Total capital assets being depreciated | <u>5,021,145</u> | <u>69,578</u> | <u>—</u> | <u>5,090,723</u> |
| Less accumulated depreciation for: | | | | |
| Computer equipment | (2,980,767) | (361,701) | — | (3,342,468) |
| Leasehold improvements | (180,726) | (18,469) | — | (199,195) |
| Furniture and fixtures | (794,183) | (13,697) | — | (807,880) |
| Total accumulated depreciation | <u>(3,955,676)</u> | <u>(393,867)</u> | <u>—</u> | <u>(4,349,543)</u> |
| Total capital assets being depreciated, net | <u>1,065,469</u> | <u>(324,289)</u> | <u>—</u> | <u>741,180</u> |
| Capital assets, net | <u>\$ 1,065,469</u> | <u>(324,289)</u> | <u>—</u> | <u>741,180</u> |

(6) Interfund Balances

Interfund due to (from) amounts at June 30, 2004 were as follows:

| | <u>Interfund balances</u> | |
|--------------|---------------------------|------------------|
| | <u>Due from</u> | <u>Due to</u> |
| General Fund | \$ 1,882,259 | — |
| FTA | — | 363,791 |
| FHWA | 268,124 | 1,078,351 |
| Nonmajor | 770,472 | 1,478,713 |
| Total | <u>\$ 2,920,855</u> | <u>2,920,855</u> |

Interfund balances arising from routine interfund transactions have been eliminated in the governmentwide financial statements.

(7) Commitments and Contingencies

At June 30, 2004, SCAG is contractually committed to pay for certain transportation, technical, and other planning consulting services aggregating \$3,245,476.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2004

At June 30, 2004, minimum lease commitments under the noncancelable operating leases with initial terms of one year or more are as follows:

| Fiscal year ending: | |
|---------------------|---------------------|
| 2005 | \$ 1,282,565 |
| 2006 | 1,273,751 |
| 2007 | 1,272,207 |
| 2008 | 1,255,227 |
| 2009 | 1,067,592 |
| 2010 | <u>536,296</u> |
| Total | \$ <u>6,687,638</u> |

In the ordinary course of operations, SCAG is the subject of claims and litigation from outside parties. SCAG is insured for professional and general liability claims on a claims-made basis. In the opinion of management, subject to the disclosure below, there are no pending litigation or unasserted claims, the outcome of which would materially affect the financial position of SCAG.

In March 2003, the Federal Highway Administration (FHWA) issued to Caltrans a Federal-Aid Ineligibility Notification (FIN) requiring the reimbursement of \$947,793 in connection with a federal grant SCAG received through Caltrans relating to a contract involving the Riverside and San Bernardino Transportation Commissions. That same month, Caltrans invoiced SCAG for the \$947,793 in question. FHWA and Caltrans claim SCAG did not comply with required federal and state contracting procedures in connection with the award of a consultant contract. Therefore, FHWA and Caltrans believe that all the federal funds disbursed by SCAG related to this contract must be returned. However, Caltrans has not required SCAG to refund the amounts in question until SCAG's appeal on the matter has been determined.

In order to appeal the FIN, under the administrative process outlined by FHWA, Caltrans must actually file the appeal. SCAG is presently working with Caltrans to ascertain its willingness to pursue the appeal.

SCAG's management does not believe that the funds should be reimbursed because in their opinion SCAG substantially complied with all the contract requirements. The likelihood of an adverse effect upon the financial position of SCAG is currently unknown and has not been reflected in the basic financial statements.

(8) Line of Credit

SCAG has a \$5,000,000 line of credit arrangement with an independent financial institution, which expired on June 30, 2004 and has been extended through June 30, 2005. The advances are secured by an assignment of all monies due, or to be due, from Caltrans. Advances under the line must be in minimum amounts of \$350,000 and carried an interest rate ranging from 3.0374% to 3.2238%. At June 30, 2004, no liability was outstanding.

The line of credit agreement contains certain covenants regarding timely repayment, maintenance of certain levels of financial condition, and other criteria. At June 30, 2004, SCAG was in compliance with the financial covenants.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2004

(9) Related Party Transactions

For the year ended June 30, 2004, SCAG recorded \$1,270,190 in 2003-2004 as membership revenue. These revenues are received from member cities, counties, and Transportation Commissions whose representatives also serve on the Regional Council of SCAG. Such revenues are shown as membership assessments in the accompanying basic financial statements.

(10) Defined Benefit Pension Plan

(a) Plan Description

SCAG's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. SCAG is a member of the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the state of California. State statutes within the Public Employees' Retirement Law establish menus of benefit provisions as well as other requirements. SCAG selects optional benefit provisions from the benefit menu by contract with PERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, California 95814.

(b) Funding Policy

Active plan members are required to contribute 7.00% of their annual covered salary. The required employer contribution rate for the year ended June 30, 2004 was 3.052%; however, SCAG's management elected to contribute the actuarial-required calculations to CalPERS on behalf of eligible employees. SCAG is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

(c) Annual Pension

For fiscal year 2003-2004, SCAG's annual pension cost and actual contribution was \$975,202. The required contribution for fiscal year 2003-2004 was determined as part of the June 30, 2002 actuarial valuation using the entry-age-normal-actuarial-cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) overall payroll growth rate of 3.75%, and (c) 2.00% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.5%. The actuarial value of the plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two- to five-year period, depending on the size of investment gains and/or losses. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

June 30, 2004

(d) Three-Year Trend Information

| | <u>Annual pension cost (APC)</u> | <u>Percentage of APC contributed</u> | <u>Net pension obligation</u> |
|----------------------------|--|--|-----------------------------------|
| Fiscal year ended June 30: | | | |
| 2002 | \$ 1,088,336 | 100% | --- |
| 2003 | 946,594 | 100 | --- |
| 2004 | 975,202 | 100 | --- |

(e) Required Supplementary Information – Schedule of Funding Progress (Unaudited)

| | <u>Entry age normal accrued liability</u> | <u>Actuarial value of assets</u> | <u>Unfunded (overfunded) liability</u> | <u>Funded ratio</u> | <u>Annual covered payroll</u> | <u>UAAL as a percentage of payroll</u> |
|-----------------|---|--|--|-------------------------|---------------------------------------|--|
| Valuation date: | | | | | | |
| 6/30/00 | \$ 35,767,244 | 45,888,121 | (10,120,877) | 128.3% | 9,310,124 | (108.7%) |
| 6/30/01 | 39,699,281 | 47,837,741 | (8,138,460) | 120.5 | 9,753,612 | (83.4) |
| 6/30/02 | 43,980,159 | 45,865,812 | (1,885,653) | 104.3 | 11,695,863 | (16.1) |

(11) Deferred Compensation

SCAG has a deferred compensation plan that is available to substantially all employees. The plan allows employees to defer a portion of their current income from state and federal taxation. Employees may terminate their participation at any time by giving written notice at least 30 days prior to the effective date of termination. However, withdrawal of funds prior to an employee's retirement or death is subject to approval. At June 30, 2004, plan assets totaling \$6,942,074 were held by independent trustees and, as such, are not reflected in the accompanying basic financial statements.

All amounts of compensation deferred under the plans are solely the property and rights of each beneficiary (pursuant to legislative changes effective in 1998 to the Internal Revenue Code Section 457, this includes all property and rights purchased and income attributable to these amounts until paid or made available to the employee or other beneficiary). SCAG has no liability for losses under the plans, but does have the fiduciary duty of care that would be required of a prudent investor.

(12) Postemployment Benefits

SCAG provides medical insurance coverage to its retired employees. These retired individuals are entitled to a monthly insurance premium benefit for the cost of a retiree's insurance premium to a maximum of \$550 per month. For the year ended June 30, 2004, SCAG provided and paid for medical insurance premium benefits for 52 retired employees at a total cost of \$262,198.

Supplemental Combining Financial Statements

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Balance Sheet

Federal Transportation Administration – Major Fund

June 30, 2004

| Assets | Section 5303 Fund 04050 | Combined other Funds | Total |
|--------------------------------------|------------------------------------|---------------------------------|--------------|
| Receivables – federal grants | \$ 1,159,348 | 359,372 | 1,518,720 |
| Total assets | \$ 1,159,348 | 359,372 | 1,518,720 |
| Liabilities and Fund Balances | | | |
| Accounts and contracts payable | \$ 896,469 | 229,377 | 1,125,846 |
| Accrued liabilities | 29,083 | — | 29,083 |
| Due to other funds | 233,796 | 129,995 | 363,791 |
| Total liabilities | 1,159,348 | 359,372 | 1,518,720 |
| Fund balances – undesignated | — | — | — |
| Total liabilities and fund balances | \$ 1,159,348 | 359,372 | 1,518,720 |

See accompanying independent auditors' report.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Statement of Revenues, Expenditures, and Changes in Fund Balances

Federal Transportation Administration – Major Fund

Year ended June 30, 2004

| | Section 5303 Fund 04050 | Combined other Funds | Total |
|---|------------------------------------|---------------------------------|--------------|
| Federal grants and services | \$ 5,119,273 | 439,939 | 5,559,212 |
| Expenditures: | | | |
| Salaries and wages | 1,050,902 | — | 1,050,902 |
| Fringe benefits | 597,636 | — | 597,636 |
| Indirect costs | 1,796,906 | — | 1,796,906 |
| Contractual services | 1,554,821 | 439,939 | 1,994,760 |
| Reproduction and printing | 59,441 | — | 59,441 |
| Professional services and other | 26,800 | — | 26,800 |
| Travel | 32,767 | — | 32,767 |
| Total expenditures | 5,119,273 | 439,939 | 5,559,212 |
| Excess of revenues over expenditures | — | — | — |
| Fund balances, beginning of year | — | — | — |
| Fund balances, end of year | \$ — | — | — |

See accompanying independent auditors' report.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual on a Budgetary Basis – Federal Transportation Administration – Major Fund

Year ended June 30, 2004

| | <u>Adopted and final budget</u> | <u>Actual</u> | <u>Variance – favorable (unfavorable)</u> |
|---|---|------------------|---|
| Revenues: | | | |
| Federal grants | \$ <u>7,016,991</u> | <u>5,559,212</u> | <u>(1,457,779)</u> |
| Expenditures: | | | |
| Salaries and wages | 1,139,735 | 1,050,902 | 88,833 |
| Fringe benefits | 568,440 | 597,636 | (29,196) |
| Indirect costs | 1,862,031 | 1,796,906 | 65,125 |
| Contractual services | 3,266,238 | 1,994,760 | 1,271,478 |
| Reproduction and printing | 93,494 | 59,441 | 34,053 |
| Travel | 34,105 | 32,767 | 1,338 |
| Professional services and other | <u>52,948</u> | <u>26,800</u> | <u>26,148</u> |
| Total expenditures | <u>7,016,991</u> | <u>5,559,212</u> | <u>1,457,779</u> |
| Excess of revenues over expenditures | <u>—</u> | <u>—</u> | <u>—</u> |
| Fund balance, beginning of year | <u>—</u> | <u>—</u> | <u>—</u> |
| Fund balance, end of year | \$ <u><u>—</u></u> | <u><u>—</u></u> | <u><u>—</u></u> |

See accompanying independent auditors' report.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Balance Sheet

Federal Highway Administration – Major Fund

June 30, 2004

| Assets | PL Fund 04060 | Combined other Funds | Total |
|--------------------------------------|--------------------------|---------------------------------|------------------|
| Receivables – federal grants | \$ 1,564,988 | 167,400 | 1,732,388 |
| Due from other funds | — | 268,124 | 268,124 |
| Total assets | <u>\$ 1,564,988</u> | <u>435,524</u> | <u>2,000,512</u> |
| Liabilities and Fund Balances | | | |
| Accounts and contracts payable | \$ 557,542 | 177,551 | 735,093 |
| Accrued liabilities | 187,068 | — | 187,068 |
| Due to other funds | <u>820,378</u> | <u>257,973</u> | <u>1,078,351</u> |
| Total liabilities | 1,564,988 | 435,524 | 2,000,512 |
| Fund balances – undesignated | <u>—</u> | <u>—</u> | <u>—</u> |
| Total liabilities and fund balances | <u>\$ 1,564,988</u> | <u>435,524</u> | <u>2,000,512</u> |

See accompanying independent auditors' report.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Statement of Revenues, Expenditures, and Changes in Fund Balances

Federal Highway Administration – Major Fund

Year ended June 30, 2004

| | PL Fund 04060 | Combined other Funds | Total |
|---|--------------------------|---------------------------------|--------------|
| Federal grants and services | \$ 13,151,086 | 257,973 | 13,409,059 |
| Expenditures: | | | |
| Salaries and wages | 3,393,885 | — | 3,393,885 |
| Fringe benefits | 1,925,816 | — | 1,925,816 |
| Indirect costs | 5,798,475 | — | 5,798,475 |
| Contractual services | 1,862,360 | 257,973 | 2,120,333 |
| Reproduction and printing | 32,844 | — | 32,844 |
| Professional services and other | 89,909 | — | 89,909 |
| Travel | 47,797 | — | 47,797 |
| Total expenditures | 13,151,086 | 257,973 | 13,409,059 |
| Excess of revenues over expenditures | — | — | — |
| Fund balances, beginning of year | — | — | — |
| Fund balances, end of year | \$ — | — | — |

See accompanying independent auditors' report.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual on a Budgetary Basis – Federal Highway Administration – Major Fund

Year ended June 30, 2004

| | <u>Adopted and final budget</u> | <u>Actual</u> | <u>Variance – favorable (unfavorable)</u> |
|---|---|-------------------|---|
| Revenues: | | | |
| Federal grants | \$ 15,226,056 | 13,409,059 | (1,816,997) |
| Expenditures: | | | |
| Salaries, wages, and fringe benefits | 3,645,498 | 3,393,885 | 251,613 |
| Fringe benefits | 1,846,657 | 1,925,816 | (79,159) |
| Indirect costs | 5,985,738 | 5,798,475 | 187,263 |
| Contractual services | 3,362,784 | 2,120,333 | 1,242,451 |
| Reproduction and printing | 64,793 | 32,844 | 31,949 |
| Travel | 91,185 | 47,797 | 43,388 |
| Professional services and other | 229,401 | 89,909 | 139,492 |
| Total expenditures | <u>15,226,056</u> | <u>13,409,059</u> | <u>1,816,997</u> |
| Excess of revenues over expenditures | — | — | — |
| Fund balance, beginning of year | <u>—</u> | <u>—</u> | <u>—</u> |
| Fund balance, end of year | <u>\$ —</u> | <u>—</u> | <u>—</u> |

See accompanying independent auditors' report.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Combining Balance Sheet

Nonmajor Funds

June 30, 2004

| Assets | Federal Funds | State Funds | Local Funds | Total |
|--------------------------------------|--------------------------|------------------------|------------------------|------------------|
| Receivables: | | | | |
| Federal grants | \$ 113,323 | — | — | 113,323 |
| State grants and contracts | — | 351,556 | — | 351,556 |
| Local grants and contracts | — | — | 799,340 | 799,340 |
| Other | — | — | — | — |
| Due from other funds | 232,462 | 80 | 537,930 | 770,472 |
| Total assets | <u>\$ 345,785</u> | <u>351,636</u> | <u>1,337,270</u> | <u>2,034,691</u> |
| Liabilities and Fund Balances | | | | |
| Accounts and contracts payable | \$ 14,903 | 98,554 | 316,357 | 429,814 |
| Accrued liabilities | 17,177 | 5,102 | 3,885 | 26,164 |
| Due to other funds | 313,705 | 247,980 | 917,028 | 1,478,713 |
| Deferred revenue | — | — | 100,000 | 100,000 |
| Total liabilities | <u>345,785</u> | <u>351,636</u> | <u>1,337,270</u> | <u>2,034,691</u> |
| Fund balances – undesignated | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total liabilities and fund balances | <u>\$ 345,785</u> | <u>351,636</u> | <u>1,337,270</u> | <u>2,034,691</u> |

See accompanying independent auditors' report.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Funds
Year ended June 30, 2004

| | Federal Funds | State Funds | Local Funds | Total |
|---|--------------------------|------------------------|------------------------|--------------|
| Grant revenues | \$ 1,171,300 | 740,473 | 1,551,398 | 3,463,171 |
| Expenditures: | | | | |
| Salaries and wages | 231,379 | 62,107 | 194,855 | 488,341 |
| Fringe benefits | 122,378 | 27,492 | 114,203 | 264,073 |
| Indirect costs | 385,678 | 97,662 | 336,789 | 820,129 |
| Contractual services | 431,415 | 533,691 | 896,045 | 1,861,151 |
| Reproduction and printing | — | — | 2,035 | 2,035 |
| Professional services and other | — | 19,271 | 5,088 | 24,359 |
| Travel | 450 | 250 | 2,383 | 3,083 |
| Total expenditures | 1,171,300 | 740,473 | 1,551,398 | 3,463,171 |
| Excess of revenues over expenditures | — | — | — | — |
| Fund balances, beginning of year | — | — | — | — |
| Fund balances, end of year | \$ — | — | — | — |

See accompanying independent auditors' report.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Combining Balance Sheet

Federal Nonmajor Funds

June 30, 2004

| | | HUD | | FAA | |
|--------------------------------------|----|---------------------|--------------------|----------------------|--------------|
| | | Home Program | | Airport Funds | |
| | | Funds | FRA | 02510-20/ | |
| | | 20780/01820/ | Maglev Fund | 20600/20700/ | |
| | | 02830 | 02973 | 03530 | Total |
| Assets | | | | | |
| Receivables – federal grants | \$ | — | 13,418 | 99,905 | 113,323 |
| Due from other funds | | — | — | 232,462 | 232,462 |
| Total assets | \$ | — | 13,418 | 332,367 | 345,785 |
| Liabilities and Fund Balances | | | | | |
| Accounts and contracts payable | \$ | — | 22 | 14,881 | 14,903 |
| Accrued liabilities | | — | — | 17,177 | 17,177 |
| Due to other funds | | — | 13,396 | 300,309 | 313,705 |
| Total liabilities | | — | 13,418 | 332,367 | 345,785 |
| Fund balances – undesignated | | — | — | — | — |
| Total liabilities and fund balances | \$ | — | 13,418 | 332,367 | 345,785 |

See accompanying independent auditors' report.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Federal Nonmajor Funds
Year ended June 30, 2004

| | HUD | | FAA | |
|---|---------------------|--------------------|----------------------|--------------|
| | Home Program | | Airport Funds | |
| | Funds | FRA | 02510-20/ | |
| | 01820 | Maglev Fund | 20600/20700/ | |
| | | 02973 | 03530 | Total |
| Federal grants and services | \$ 26,199 | 231,821 | 913,280 | 1,171,300 |
| Expenditures: | | | | |
| Salaries and wages | 1,254 | 43,132 | 186,993 | 231,379 |
| Fringe benefits | 814 | 14,817 | 106,747 | 122,378 |
| Indirect costs | 2,253 | 63,248 | 320,177 | 385,678 |
| Contractual services | 21,878 | 110,174 | 299,363 | 431,415 |
| Travel | — | 450 | — | 450 |
| Total expenditures | 26,199 | 231,821 | 913,280 | 1,171,300 |
| Excess of revenues over expenditures | — | — | — | — |
| Fund balances, beginning of year | — | — | — | — |
| Fund balances, end of year | \$ — | — | — | — |

See accompanying independent auditors' report.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Combining Balance Sheet

State Nonmajor Funds

June 30, 2004

| | | RHNA Fund 01800 | Caltrans State Planning and Research Fund 20190/ 20300/ 03190 | Combined other funds | Total |
|--------------------------------------|----|--------------------------------|--|---------------------------------|----------------|
| Assets | | | | | |
| Receivables – state grants | \$ | 27,564 | 148,057 | 175,935 | 351,556 |
| Due from other funds | | — | 80 | — | 80 |
| Total assets | \$ | <u>27,564</u> | <u>148,137</u> | <u>175,935</u> | <u>351,636</u> |
| Liabilities and Fund Balances | | | | | |
| Accounts and contracts payable | \$ | — | — | 98,554 | 98,554 |
| Accrued liabilities | | — | 2,469 | 2,633 | 5,102 |
| Due to other funds | | <u>27,564</u> | <u>145,668</u> | <u>74,748</u> | <u>247,980</u> |
| Total liabilities | | 27,564 | 148,137 | 175,935 | 351,636 |
| Fund balances – undesignated | | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total liabilities and fund balances | \$ | <u>27,564</u> | <u>148,137</u> | <u>175,935</u> | <u>351,636</u> |

See accompanying independent auditors' report.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
State Nonmajor Funds
Year ended June 30, 2004

| | RHNA Fund 01800 | Caltrans State Planning and Research Fund 03190 | Combined other funds | Total |
|---|--------------------------------|--|---------------------------------|--------------|
| State grants and services | \$ — | 537,780 | 202,693 | 740,473 |
| Expenditures: | | | | |
| Salaries and wages | — | 41,928 | 20,179 | 62,107 |
| Fringe benefits | — | 18,215 | 9,277 | 27,492 |
| Indirect costs | — | 65,556 | 32,106 | 97,662 |
| Contractual services | — | 412,081 | 121,610 | 533,691 |
| Professional services and other | — | — | 19,271 | 19,271 |
| Travel | — | — | 250 | 250 |
| Total expenditures | — | 537,780 | 202,693 | 740,473 |
| Excess of revenues over expenditures | — | — | — | — |
| Fund balances, beginning of year | — | — | — | — |
| Fund balances, end of year | \$ — | — | — | — |

See accompanying independent auditors' report.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Combining Balance Sheet

Local Nonmajor Funds

June 30, 2004

| | | TDA Planning Fund 04110 | Maglev Fund 02970-71 | Fee Services 02310 | Core Rideshare 01900/ 02335/ 03880-03901 | MTA Employer Services 03910 | VCTC Employer Services 01910 |
|--------------------------------------|----|--|-------------------------------------|-----------------------------------|---|--|---|
| Assets | | | | | | | |
| Receivables – local grants | \$ | — | 481 | 70,460 | 225,798 | 113,737 | 68,522 |
| Due from other funds | | 87,909 | — | — | — | — | — |
| Total assets | \$ | <u>87,909</u> | <u>481</u> | <u>70,460</u> | <u>225,798</u> | <u>113,737</u> | <u>68,522</u> |
| Liabilities and Fund Balances | | | | | | | |
| Accounts and contracts payable | \$ | 84,024 | 11 | — | — | — | — |
| Accrued liabilities | | 3,885 | — | — | — | — | — |
| Due to other funds | | — | 470 | 70,460 | 225,798 | 113,737 | 68,522 |
| Deferred revenue | | — | — | — | — | — | — |
| Total liabilities | | <u>87,909</u> | <u>481</u> | <u>70,460</u> | <u>225,798</u> | <u>113,737</u> | <u>68,522</u> |
| Fund balances – undesignated | | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total liabilities and fund balances | \$ | <u>87,909</u> | <u>481</u> | <u>70,460</u> | <u>225,798</u> | <u>113,737</u> | <u>68,522</u> |

See accompanying independent auditors' report.

| MTA Web Access/ Commuter Channel 01500-01520 | RTA/Sunline/ ITS 03420/ 04580 | RCTC 99750 | Cash Match 03640/ 03700-03730 04540-04570 04720 04830-04860 | Combined other funds 03620/ 04520/ 04940 | Total |
|---|--|-----------------------|--|---|--------------|
| 231,000 | — | 8,158 | 63,657 | 17,527 | 799,340 |
| — | 28,604 | — | 244,696 | 176,721 | 537,930 |
| 231,000 | 28,604 | 8,158 | 308,353 | 194,248 | 1,337,270 |
| — | 28,604 | — | 184,346 | 19,372 | 316,357 |
| — | — | — | — | — | 3,885 |
| 231,000 | — | 8,158 | 24,007 | 174,876 | 917,028 |
| — | — | — | 100,000 | — | 100,000 |
| 231,000 | 28,604 | 8,158 | 308,353 | 194,248 | 1,337,270 |
| — | — | — | — | — | — |
| 231,000 | 28,604 | 8,158 | 308,353 | 194,248 | 1,337,270 |

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Local Nonmajor Funds
Year ended June 30, 2004

| | TDA Planning 04110 | Maglev Project 02970-71 | Fee Services 02310 | Core Rideshare 01900/ 02335/ 03880-03901 | MTA Employer Services 03910 | VCTC Employer Services 01910 |
|---|-----------------------------------|--|-----------------------------------|---|--|---|
| Local grants and services | \$ 829,680 | 116,017 | — | — | — | — |
| Expenditures: | | | | | | |
| Salaries and wages | 166,761 | 21,678 | — | — | — | — |
| Fringe benefits | 102,558 | 7,408 | — | — | — | — |
| Indirect costs | 293,559 | 31,619 | — | — | — | — |
| Contractual services | 257,543 | 55,065 | — | — | — | — |
| Reproduction and printing | 2,035 | — | — | — | — | — |
| Professional services | 4,699 | 22 | — | — | — | — |
| Travel | 2,158 | 225 | — | — | — | — |
| Other | 367 | — | — | — | — | — |
| Total expenditures | 829,680 | 116,017 | — | — | — | — |
| Excess of revenues over expenditures | — | — | — | — | — | — |
| Fund balances, beginning of year | — | — | — | — | — | — |
| Fund balances, end of year | \$ — | — | — | — | — | — |

See accompanying independent auditors' report.

| MTA Web Access/ Commuter Channel 01500-01520/ | RTA/Sunline/ ITS 03420/ 04580 | RCTC 99750 | Cash Match 03640/ 03700-03730 04540-04570 04720 04830-04860 | Combined other funds 03620/ 04520/ 04940 | Total |
|---|--|---------------|--|--|-----------|
| — | — | — | 258,499 | 347,202 | 1,551,398 |
| — | — | — | — | 6,416 | 194,855 |
| — | — | — | — | 4,237 | 114,203 |
| — | — | — | — | 11,611 | 336,789 |
| — | — | — | 258,499 | 324,938 | 896,045 |
| — | — | — | — | — | 2,035 |
| — | — | — | — | — | 4,721 |
| — | — | — | — | — | 2,383 |
| — | — | — | — | — | 367 |
| — | — | — | 258,499 | 347,202 | 1,551,398 |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |

Supplemental Schedules

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Supplemental Schedule of Indirect Costs and Changes in Indirect Costs

Year ended June 30, 2004

| | |
|--|--------------|
| Indirect costs: | |
| Salaries and wages | \$ 2,642,493 |
| Fringe benefits | 1,477,817 |
| Office space leases | 1,179,039 |
| Professional services | 1,336,095 |
| Computer support | 170,359 |
| Telephone | 87,772 |
| Reproduction services | 143,718 |
| Equipment repairs and maintenance | 16,428 |
| Travel | 54,386 |
| Equipment lease | 341,398 |
| Memberships | 61,703 |
| Insurance | 241,872 |
| Postage and delivery | 66,584 |
| Capital outlay/depreciation | 393,868 |
| Printing | 12,986 |
| Professional materials | 15,828 |
| Other | 40,400 |
| | <hr/> |
| Total indirect costs | 8,282,746 |
| | <hr/> |
| Indirect costs recovered: | |
| General Fund | 14,721 |
| Federal Highway Administration | 5,798,475 |
| Federal Transportation Administration | 1,796,906 |
| Nonmajor Funds | 820,129 |
| | <hr/> |
| Indirect costs recovered | 8,430,231 |
| | <hr/> |
| (Over) recovered | (147,485) |
| | <hr/> |
| General Fund contribution | (837,582) |
| Underrecovered indirect costs, beginning of year | 837,283 |
| | <hr/> |
| (Over) recovered indirect costs from prior year | (299) |
| | <hr/> |
| (Over) recovered indirect costs, end of year | \$ (147,784) |
| | <hr/> <hr/> |

See accompanying independent auditors' report.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Supplemental Schedule of Fringe Benefits and Changes in Fringe Benefits

Year ended June 30, 2004

Fringe benefits:

| | |
|--|--------------|
| Employee leave and other salary benefits | \$ 1,300,879 |
| Medical insurance | 1,115,883 |
| PERS – retirement plan | 975,202 |
| Medicare tax – employer share | 116,602 |
| Life insurance | 99,907 |
| Bus passes | 70,911 |
| Unemployment compensation insurance | 517,758 |
| Carpool parking subsidy | 3,640 |
| SGA Match-Deferred Compensation | 65,327 |
| Other | 3,518 |

| | |
|-----------------------|-----------|
| Total fringe benefits | 4,269,627 |
|-----------------------|-----------|

Fringe benefits recovered:

| | |
|---------------------------------------|-----------|
| Allocated to indirect cost | 1,477,817 |
| General Fund | 4,285 |
| Federal Highway Administration | 1,925,816 |
| Federal Transportation Administration | 597,636 |
| Nonmajor Funds | 264,073 |

| | |
|-------|-----------|
| Total | 4,269,627 |
|-------|-----------|

| | |
|--------------------------------|---|
| Underrecovered fringe benefits | — |
|--------------------------------|---|

| | |
|---|---|
| Underrecovered fringe benefits, beginning of year | — |
|---|---|

| | |
|--|------|
| Underrecovered indirect costs, end of year | \$ — |
|--|------|

See accompanying independent auditors' report.

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Distribution of Salaries and Fringe Benefits by Project Area

Year ended June 30, 2004

| | Salaries and wages | Fringe benefits | Salaries, wages, and fringe benefits |
|--|-------------------------------|----------------------------|---|
| Charges to direct projects | \$ 4,933,128 | 2,787,525 | 7,720,653 |
| Charges to General Fund projects | 9,220 | 4,285 | 13,505 |
| Charges to indirect projects | 2,642,493 | 1,477,817 | 4,120,310 |
| Charges to leave | <u>1,158,128</u> (1) | <u>—</u> | |
| Totals for the year ended June 30, 2004 | \$ <u>8,742,969</u> | <u>4,269,627</u> | |

(1) Includes salaries paid to staff on vacation and other paid leave. Leave costs are included in fringe benefits.

See accompanying independent auditors' report.

Statistical Section

Table 1**SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS**

General Governmental Expenditures by Type

Last Ten Fiscal Years

| Fiscal year | | Salaries and fringe | Indirect cost* | Contracting and services | All other | Total |
|--------------------|----|----------------------------|-----------------------|---------------------------------|------------------|--------------|
| 1995 | \$ | 4,952,161 | 4,643,626 | 5,976,193 | 663,874 | 16,235,854 |
| 1996 | | 7,942,814 | 7,418,850 | 7,391,085 | 760,501 | 23,513,250 |
| 1997 | | 7,463,338 | 7,506,402 | 4,897,967 | 749,400 | 20,617,107 |
| 1998 | | 7,192,604 | 7,250,759 | 6,193,578 | 1,316,323 | 21,953,264 |
| 1999 | | 8,265,083 | 7,148,384 | 7,641,988 | 1,683,962 | 24,739,417 |
| 2000 | | 8,033,466 | 7,160,797 | 14,575,906 | 1,342,093 | 31,112,262 |
| 2001 | | 8,914,373 | 8,426,247 | 17,046,907 | 1,555,304 | 35,942,831 |
| 2002 | | 10,002,738 | 9,633,226 | 16,364,516 | 1,769,014 | 37,769,494 |
| 2003 | | 9,015,806 | 8,945,404 | 10,094,743 | 1,126,270 | 29,182,223 |
| 2004 | | 7,734,158 | 8,430,231 | 6,440,602 | 810,255 | 23,415,246 |

* Restated for consistency with financial reporting in FY 02 and FY 03. Internal Services were reported separately.

Source: SCAG Finance Department.

See accompanying independent auditors' report.

Table 2

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

General Governmental Revenues by Source*

Last Ten Fiscal Years

| Fiscal year | | Federal | State | Local | Member dues | Other revenue | Total |
|------------------------|----|----------------|--------------|--------------|------------------------|--------------------------|--------------|
| 1995 | \$ | 13,510,582 | 1,116,267 | 1,127,768 | 761,025 | 159,684 | 16,675,326 |
| 1996 | | 19,548,881 | 1,294,048 | 2,117,064 | 650,495 | 86,971 | 23,697,459 |
| 1997 | | 12,551,011 | 4,678,456 | 2,769,393 | 749,413 | 130,633 | 20,878,906 |
| 1998 | | 12,371,602 | 4,706,203 | 3,798,770 | 726,820 | 157,019 | 21,760,414 |
| 1999 | | 14,838,346 | 1,862,373 | 7,172,310 | 756,357 | 126,718 | 24,756,104 |
| 2000 | | 19,222,096 | 2,275,944 | 8,710,388 | 734,162 | 73,022 | 31,015,612 |
| 2001 | | 24,452,226 | 1,437,051 | 8,572,072 | 768,108 | 50,535 | 35,279,992 |
| 2002 | | 23,612,490 | 3,951,092 | 7,823,118 | 1,152,885 | 319,211 | 36,858,796 |
| 2003 | | 22,540,651 | 670,492 | 5,316,392 | 1,193,069 | 27,755 | 29,748,359 |
| 2004 | | 20,139,571 | 740,473 | 1,551,398 | 1,270,190 | 107,869 | 23,809,501 |

* Includes all governmental fund types.

Source: SCAG Finance Department.

See accompanying independent auditors' report.

Table 3

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Major Federal Fund Revenues

Last Ten Fiscal Years

| Fiscal year | | Federal Transit Administration | Federal Highway Administration | Total |
|------------------------|----|---|---|--------------|
| 1995 | \$ | 2,566,185 | 9,392,424 | 11,958,609 |
| 1996 | | 1,687,054 | 12,345,790 | 14,032,844 |
| 1997 | | 1,086,395 | 9,037,409 | 10,123,804 |
| 1998 | | 1,029,881 | 9,043,196 | 10,073,077 |
| 1999 | | 2,228,922 | 10,474,128 | 12,703,050 |
| 2000 | | 3,451,257 | 11,578,737 | 15,029,994 |
| 2001 | | 3,793,854 | 16,954,797 | 20,748,651 |
| 2002 | | 4,967,909 | 17,391,761 | 22,359,670 |
| 2003 | | 7,723,386 | 12,507,788 | 20,231,174 |
| 2004 | | 5,559,212 | 13,409,059 | 18,968,271 |

Source: SCAG Finance Department.

See accompanying independent auditors' report.

Table 4**SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS****Indirect and Fringe Benefit Costs**

Last Ten Fiscal Years

| Fiscal year | | Indirect cost* | Fringe benefits | Total |
|------------------------|----|---------------------------|----------------------------|--------------|
| 1995 | \$ | 5,196,637 | 1,746,985 | 6,943,622 |
| 1996 | | 7,131,858 | 2,797,988 | 9,929,846 |
| 1997 | | 7,426,035 | 2,434,354 | 9,860,389 |
| 1998 | | 7,898,201 | 2,963,593 | 10,861,794 |
| 1999 | | 8,371,674 | 4,090,959 | 12,462,633 |
| 2000 | | 9,195,086 | 3,380,803 | 12,575,889 |
| 2001 | | 10,397,637 | 3,895,232 | 14,292,869 |
| 2002 | | 9,738,957 | 4,761,852 | 14,500,809 |
| 2003 | | 8,762,846 | 4,407,432 | 13,170,278 |
| 2004 | | 8,282,746 | 4,269,626 | 12,552,372 |

* Restated to include internal service funds included in Indirect Cost in FY 02 and FY 03 and reported separately in prior years. Indirect Cost Allocation Plans are reviewed and approved by Caltrans for Federal reimbursements.

Source: SCAG Finance Department.

See accompanying independent auditors' report.

Table 5

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Population by County in the SCAG Region

Last Ten Calendar Years

| Calendar year | | Imperial | Los Angeles | Orange | Riverside | San Bernardino | Ventura | Total |
|------------------|---|----------|----------------|-----------|-----------|-------------------|---------|------------|
| 1995 | * | 134,800 | 9,103,900 | 2,597,100 | 1,365,500 | 1,573,900 | 702,800 | 15,478,000 |
| 1996 | * | 137,200 | 9,104,700 | 2,625,300 | 1,391,800 | 1,590,800 | 707,800 | 15,557,600 |
| 1997 | * | 138,600 | 9,147,100 | 2,672,800 | 1,420,600 | 1,613,500 | 716,100 | 15,708,700 |
| 1998 | * | 139,100 | 9,225,800 | 2,724,500 | 1,451,400 | 1,637,900 | 725,400 | 15,904,100 |
| 1999 | * | 140,000 | 9,330,100 | 2,776,100 | 1,490,500 | 1,666,600 | 736,000 | 16,139,300 |
| 2000 | * | 142,361 | 9,519,330 | 2,846,289 | 1,545,387 | 1,710,139 | 753,197 | 16,516,703 |
| 2001 | * | 146,008 | 9,661,839 | 2,887,031 | 1,586,910 | 1,747,564 | 765,263 | 16,794,615 |
| 2002 | * | 148,910 | 9,822,627 | 2,933,771 | 1,648,756 | 1,793,726 | 779,395 | 17,127,185 |
| 2003 | * | 152,576 | 9,966,190 | 2,975,397 | 1,719,004 | 1,842,060 | 791,580 | 17,446,807 |
| 2004 | * | 156,562 | 10,102,961 | 3,017,298 | 1,776,743 | 1,886,481 | 802,436 | 17,742,481 |

* Population figures related based on the results of the 2000 Census.

Source: State of California, Department of Finance.

See accompanying independent auditors' report.

Table 6

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Number of Households by County in the SCAG Region

Last Ten Calendar Years

| Calendar year | | Imperial | Los Angeles | Orange | Riverside | San Bernardino | Ventura | Total |
|------------------|---|----------|----------------|---------|-----------|-------------------|---------|-----------|
| 1995 | * | 37,262 | 3,057,287 | 865,212 | 448,066 | 499,461 | 227,643 | 5,134,931 |
| 1996 | * | 37,814 | 3,061,304 | 874,662 | 453,493 | 502,864 | 229,722 | 5,159,859 |
| 1997 | * | 38,218 | 3,067,677 | 883,229 | 458,021 | 506,155 | 231,838 | 5,185,138 |
| 1998 | * | 38,550 | 3,074,546 | 892,546 | 464,224 | 510,946 | 233,824 | 5,214,636 |
| 1999 | * | 38,912 | 3,082,136 | 900,568 | 473,016 | 516,258 | 236,185 | 5,247,075 |
| 2000 | * | 39,384 | 3,133,771 | 935,287 | 506,218 | 528,594 | 243,234 | 5,386,488 |
| 2001 | * | 39,714 | 3,141,823 | 941,630 | 515,716 | 532,557 | 246,034 | 5,417,474 |
| 2002 | * | 40,455 | 3,154,931 | 951,141 | 531,482 | 539,438 | 250,126 | 5,467,573 |
| 2003 | * | 41,340 | 3,170,393 | 958,815 | 546,495 | 547,439 | 253,138 | 5,517,620 |
| 2004 | * | 41,883 | 3,184,446 | 969,028 | 571,955 | 556,937 | 255,741 | 5,579,990 |

* Household figures restated based on the results of the 2000 Census.

Source: State of California, Department of Finance.

See accompanying independent auditors' report.

Table 7

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Wage and Salary Employment by County in the SCAG Region

Last Ten Calendar Years

| Calendar year | | Imperial | Los Angeles | Orange | Riverside | San Bernardino | Ventura | Total |
|------------------|------|----------|----------------|-----------|-----------|-------------------|---------|-----------|
| 1995 | * \$ | 40,900 | 3,938,500 | 1,251,700 | 1,169,900 | (1) | 350,300 | 6,751,300 |
| 1996 | * | 40,200 | 3,956,400 | 1,276,600 | 1,193,800 | (1) | 348,600 | 6,815,600 |
| 1997 | * | 41,100 | 4,110,400 | 1,330,400 | 1,250,200 | (1) | 354,000 | 7,086,100 |
| 1998 | * | 41,300 | 4,254,800 | 1,381,300 | 1,292,200 | (1) | 363,500 | 7,333,100 |
| 1999 | * | 42,100 | 4,291,400 | 1,418,600 | 1,362,900 | (1) | 374,700 | 7,489,700 |
| 2000 | * | 42,800 | 4,421,900 | 1,461,500 | 1,430,800 | (1) | 390,600 | 7,747,600 |
| 2001 | * | 42,800 | 4,506,900 | 1,481,800 | 1,484,100 | (1) | 395,700 | 7,911,300 |
| 2002 | * | 44,700 | 4,465,600 | 1,482,500 | 1,543,400 | (1) | 401,300 | 7,937,500 |
| 2003 | * | 46,100 | 4,451,700 | 1,515,900 | 1,588,700 | (1) | 407,700 | 8,010,100 |
| 2004 | * | 46,800 | 4,466,700 | 1,535,800 | 1,643,000 | (1) | 414,600 | 8,106,900 |

* Wage and salary figures restated based on the results of the 2000 Census.

(1) For wage and salary employment statistics, the Counties of Riverside and San Bernardino are combined.

Source: State of California, Economic Development Department.

See accompanying independent auditors' report.

Table 8

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Labor Force by County in the SCAG Region

Last Ten Calendar Years

| Calendar year | Imperial | Los Angeles | Orange | Riverside | San Bernardino | Ventura | Total |
|--------------------------|-----------------|------------------------|---------------|------------------|---------------------------|----------------|--------------|
| 1995 | 57,900 | 4,275,500 | 1,318,700 | 606,200 | 674,500 | 378,600 | 7,311,400 |
| 1996 | 57,000 | 4,310,600 | 1,331,200 | 611,500 | 681,900 | 375,300 | 7,367,500 |
| 1997 | 56,000 | 4,412,300 | 1,375,200 | 638,200 | 704,400 | 378,800 | 7,564,900 |
| 1998 | 55,700 | 4,552,900 | 1,422,300 | 657,800 | 718,600 | 384,900 | 7,792,200 |
| 1999 | 55,000 | 4,558,400 | 1,457,200 | 689,400 | 746,900 | 393,500 | 7,900,400 |
| 2000 | 58,100 | 4,671,800 | 1,499,600 | 720,700 | 787,300 | 409,100 | 8,146,600 |
| 2001 | 54,700 | 4,777,000 | 1,528,300 | 750,000 | 812,300 | 414,700 | 8,337,000 |
| 2002 | 55,300 | 4,789,800 | 1,546,500 | 794,500 | 845,200 | 424,300 | 8,455,600 |
| 2003 | 57,200 | 4,788,800 | 1,575,600 | 817,600 | 870,800 | 430,400 | 8,540,400 |
| 2004 | 59,700 | 4,790,000 | 1,591,400 | 842,900 | 901,200 | 435,200 | 8,620,400 |

Source: State of California, Economic Development Department.

See accompanying independent auditors' report.

Table 9

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Unemployed by County in the SCAG Region

Last Ten Calendar Years

| Calendar year | Imperial | Los Angeles | Orange | Riverside | San Bernardino | Ventura | Total |
|--------------------------|-----------------|------------------------|---------------|------------------|---------------------------|----------------|--------------|
| 1995 | 17,000 | 337,000 | 67,000 | 57,500 | 53,300 | 28,300 | 560,100 |
| 1996 | 16,800 | 354,200 | 54,600 | 50,100 | 49,500 | 26,700 | 551,900 |
| 1997 | 14,900 | 301,900 | 44,800 | 47,700 | 44,700 | 24,800 | 478,800 |
| 1998 | 14,400 | 298,100 | 41,000 | 43,700 | 40,500 | 21,400 | 459,100 |
| 1999 | 12,900 | 267,000 | 38,600 | 37,400 | 36,000 | 18,800 | 410,700 |
| 2000 | 15,300 | 249,900 | 38,100 | 39,800 | 37,400 | 18,500 | 399,000 |
| 2001 | 11,900 | 270,100 | 46,500 | 39,300 | 38,900 | 19,000 | 425,700 |
| 2002 | 10,600 | 324,200 | 64,000 | 48,300 | 48,000 | 23,000 | 518,100 |
| 2003 | 11,100 | 337,100 | 59,700 | 49,500 | 50,200 | 22,700 | 530,300 |
| 2004 | 12,900 | 323,300 | 55,600 | 48,500 | 52,600 | 20,600 | 513,500 |

Source: State of California, Economic Development Department.

See accompanying independent auditors' report.

Table 10

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Housing Units by County in the SCAG Region

Last Ten Calendar Years

| Calendar year | Imperial | Los Angeles | Orange | Riverside | San Bernardino | Ventura | Total |
|--------------------------|-----------------|------------------------|---------------|------------------|---------------------------|----------------|--------------|
| 1995 | 41,275 | 3,236,015 | 915,867 | 538,273 | 584,493 | 239,634 | 5,555,557 |
| 1996 | 41,878 | 3,240,625 | 926,033 | 544,983 | 588,571 | 241,797 | 5,583,887 |
| 1997 | 42,331 | 3,247,140 | 935,097 | 552,061 | 592,631 | 243,888 | 5,613,148 |
| 1998 | 42,709 | 3,254,772 | 945,034 | 559,543 | 598,234 | 246,075 | 5,646,367 |
| 1999 | 43,067 | 3,261,750 | 954,882 | 569,287 | 604,060 | 248,500 | 5,681,546 |
| 2000 | 43,891 | 3,270,906 | 969,484 | 584,674 | 601,369 | 251,712 | 5,722,036 |
| 2001 | 44,218 | 3,278,902 | 976,162 | 595,682 | 605,809 | 254,585 | 5,755,358 |
| 2002 | 45,035 | 3,292,582 | 986,067 | 613,667 | 613,139 | 258,798 | 5,809,288 |
| 2003 | 45,944 | 3,308,777 | 994,130 | 634,197 | 621,964 | 261,900 | 5,866,912 |
| 2004 | 46,531 | 3,323,630 | 1,003,929 | 659,795 | 632,267 | 264,583 | 5,930,735 |

Source: State of California, Economic Development Department.

See accompanying independent auditors' report.

Table 11

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Median Home Values by County in the SCAG Region

Last Ten Calendar Years

| Calendar year | | Imperial | Los Angeles | Orange | Riverside | San Bernardino | Ventura | Total |
|------------------|----|----------|----------------|---------|-----------|-------------------|---------|-----------|
| 1995 | \$ | 92,530 | 155,456 | 191,354 | 123,688 | 111,125 | 180,644 | 854,797 |
| 1996 | | 97,157 | 154,559 | 191,250 | 123,000 | 105,850 | 183,458 | 855,274 |
| 1997 | | 102,015 | 157,149 | 200,979 | 126,042 | 100,688 | 190,347 | 877,220 |
| 1998 | | 107,115 | 172,074 | 220,750 | 125,494 | 105,438 | 205,083 | 935,954 |
| 1999 | | 112,472 | 179,938 | 234,229 | 145,218 | 109,203 | 218,688 | 999,748 |
| 2000 | | 118,095 | 196,458 | 252,958 | 144,487 | 117,188 | 250,021 | 1,079,207 |
| 2001 | | 124,000 | 222,875 | 283,333 | 165,525 | 134,833 | 266,833 | 1,197,399 |
| 2002 | | 130,200 | 263,767 | 335,818 | 187,359 | 152,839 | 320,729 | 1,390,712 |
| 2003 | | 136,710 | 330,000 | 450,000 | 238,000 | 181,000 | 400,000 | 1,735,710 |
| 2004 | | 146,000 | 414,000 | 540,000 | 319,000 | 246,000 | 500,000 | 2,165,000 |

Source: Rand Corporation.

See accompanying independent auditors' report.

Table 12

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Land Use by County in the SCAG Region

Last Ten Calendar Years

| Calendar year | Imperial | Los Angeles | Orange | Riverside | San Bernardino | Ventura | Total |
|--------------------------|-----------------|------------------------|---------------|------------------|---------------------------|----------------|--------------|
| 1995 | 4,175 | 4,060 | 790 | 7,208 | 20,062 | 1,846 | 38,141 |
| 1996 | 4,175 | 4,060 | 790 | 7,208 | 20,062 | 1,846 | 38,141 |
| 1997 | 4,175 | 4,060 | 790 | 7,208 | 20,062 | 1,846 | 38,141 |
| 1998 | 4,175 | 4,060 | 790 | 7,208 | 20,062 | 1,846 | 38,141 |
| 1999 | 4,175 | 4,060 | 790 | 7,208 | 20,062 | 1,846 | 38,141 |
| 2000 | 4,175 | 4,060 | 790 | 7,208 | 20,062 | 1,846 | 38,141 |
| 2001 | 4,175 | 4,060 | 790 | 7,208 | 20,062 | 1,846 | 38,141 |
| 2002 | 4,175 | 4,060 | 790 | 7,208 | 20,062 | 1,846 | 38,141 |
| 2003 | 4,175 | 4,060 | 790 | 7,208 | 20,062 | 1,846 | 38,141 |
| 2004 | 4,175 | 4,060 | 790 | 7,208 | 20,062 | 1,846 | 38,141 |

Source: Census Bureau, Tiger file.

See accompanying independent auditors' report.

Table 13

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

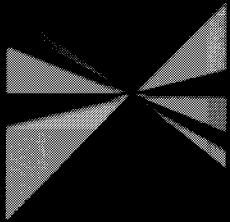
Assessed Valuation by County in the SCAG Region

Last Ten Calendar Years

| Fiscal year | Imperial | Los Angeles | Orange | Riverside | San Bernardino | Ventura | Total |
|--------------------|------------------|--------------------|-----------------|------------------|-----------------------|----------------|-------------------|
| 1994 | \$ 5,192,812,241 | 504,244,585,278 | 175,974,510,566 | 73,205,446,918 | 72,849,568,366 | 43,607,742,994 | 875,074,666,363 |
| 1995 | 5,527,587,319 | 510,639,396,273 | 174,075,452,171 | 73,079,083,017 | 73,599,716,854 | 44,130,297,503 | 881,051,533,137 |
| 1996 | 5,693,948,914 | 500,272,751,287 | 173,837,116,914 | 73,159,381,185 | 71,893,375,620 | 44,746,796,380 | 869,603,370,300 |
| 1997 | 5,551,605,866 | 497,307,264,100 | 174,413,730,594 | 72,474,729,006 | 72,854,375,155 | 45,252,605,856 | 867,854,310,577 |
| 1998 | 5,627,769,284 | 501,456,640,687 | 179,335,984,190 | 73,424,218,753 | 74,330,189,999 | 46,619,917,098 | 880,794,720,011 |
| 1999 | 5,608,104,087 | 516,561,843,546 | 189,646,750,192 | 74,906,811,132 | 76,224,892,856 | 48,526,601,312 | 911,475,003,125 |
| 2000 | 5,743,907,262 | 546,327,369,732 | 206,183,506,744 | 79,757,592,482 | 78,426,342,715 | 51,256,814,965 | 967,695,533,900 |
| 2001 | 5,974,962,496 | 582,445,970,989 | 225,513,689,510 | 88,029,325,251 | 81,660,106,184 | 56,225,012,611 | 1,039,849,067,041 |
| 2002 | 6,509,341,507 | 622,333,984,376 | 246,142,319,416 | 97,381,425,501 | 86,962,701,280 | 61,033,182,674 | 1,120,362,954,754 |
| 2003 | 6,576,083,449 | 660,226,621,950 | 266,813,653,450 | 108,274,548,900 | 93,866,366,040 | 65,931,327,778 | 1,201,688,601,567 |

Source: State of California – Controller's Office.

See accompanying independent auditors' report.



SOUTHERN CALIFORNIA ASSOCIATION of GOVERNMENTS

